

NATIONAL TAX AGENCY REPORT 2023



From the Commissioner

The environment surrounding the tax administration is fundamentally changing due to the advance in globalization and digitalization of the economic society, etc. Even under such unprecedented situation, the NTA needs to firmly fulfill the mission of “helping taxpayers properly and smoothly fulfill their spontaneous tax duties.”

To respond to the Covid-19 pandemic as well, usage of digital is rapidly expanding in all areas including tax administration in recent years.

If usage of digital further expands in the tax system, it is expected it would help taxpayers not only in terms of simplification of tax procedures but also in terms of improved accuracy through prevention of simple errors as well as improved productivity through better operational efficiency, etc. In addition, for the tax authorities, too, we believe we would be able to further improve efficiency and realize sophistication of the taxation and tax collection operations, through improved efficiency in operational processing and using the obtained data.

Thus, in June 2023, we released “Digital Transformation for Tax Administration: Future Vision of Tax Administration 2023,” which was a revision of the “Future Vision of Tax Administration 2.0” released in 2021, for demonstrating that we will further promote DX for tax administration.

Towards the future vision of realizing a “society where all tax procedures can be performed without going to a tax office,” we will comprehensively review our services for taxpayers (such as improved convenience by using e-Tax, etc. and provision of more consultation channels) from the viewpoint of taxpayers perspective. Going forward, e-Tax and cashless payment will become more convenient, so we would appreciate it if you use them.

The Invoice System for consumption tax will take effect in October 2023.

For the smooth introduction of the Invoice System, each business operator needs to deepen the understanding of the system and deal with and prepare for the system in accordance with the real status of each business operation. To help such endeavors, we have taken various measures as follows through collaboration with relevant ministries and agencies: send lecturers to and conduct explanatory sessions for relevant business associations, etc.; conduct enlightening PR activities using various media, etc. In addition, a range of burden-mitigating measures will be implemented in accordance with the tax system revision for FY2023.

There will be only some more months before the system takes effect. Until then, we will keep striving to provide business operators with necessary information including those on the tax system revision as well as to do our best to respond to individual consultation requests, using all opportunities.

Regarding the efforts to realize appropriate and fair taxation and tax collection, we strive to protect the rights and interests of taxpayers as well as to take rigorous measures across the organization against malicious taxpayers not to make the taxpayers who have filed tax returns and paid taxes adequately feel unfair. Particularly, we proactively address the following as priority issues: wrongful request for refund of consumption taxes, cross-border avoidance of tax payments, etc.

Regarding these points, we strive to further ensure appropriate execution, as consumption tax is one of the major tax items in terms of the size of tax revenue and people of the country have high awareness of the tax. Particularly, regarding the cases of wrongfully trying to obtain refund through false tax returns, we endeavor to properly respond to the cases that are getting more complicated and sophisticated, with a strict stance against them.

In addition, as for overseas investment and overseas transactions on the rise, we implement in-depth investigations and ensure adequate collection through information exchange and collaboration with the tax authorities of foreign countries.

Also, we strive to ensure higher efficiency in and sophistication of taxation and tax collection by using various data, for appropriately responding to the incessant changes in economic activities in line with the digitalization of economic society.

Through such various measures, we will further ensure that taxpayers properly and smoothly submit tax returns and pay taxes. These measures can be smoothly implemented only when taxpayers understand them and cooperate with us.

This National Tax Agency Report provides taxpayers with easy-to-understand descriptions on the annual activities of the NTA and relevant topics, using statistical materials, charts, photos, etc.

We would be happy if this report, the “National Tax Agency Report 2023,” helps you better understand tax administration.

June 2023

阪田 渉

Sakata Wataru

Commissioner of the National Tax Agency, Japan

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※The fiscal year ranges from April 1 through March 31 of the following year (i.e. fiscal year 2023: April 1, 2023 to March 31, 2024), while the operation year is from July 1 through June 30 of the following year (i.e. operation year 2023: July 1, 2023 to June 30, 2024).

The NTA was organized in 1949 as an external organization of the Ministry of Finance. The NTA supervises 12 Regional Taxation Bureaus (including the Okinawa Regional Taxation Office, and the same applies hereinafter) and 524 Tax Offices throughout Japan.

There is also the National Tax College which trains tax officials, while the National Tax Tribunal serves as a special body engaged in examining requests for review from taxpayers.

1 Organizational Philosophy of the NTA

The Mission of the NTA is “to help taxpayers properly and smoothly fulfill their tax duties.”

In order for the NTA to fulfill the mission, our duty to carry out is “Realizing proper and fair taxation and collection of internal taxes,” “Sound development of the liquor business,” and “Ensuring proper administration of services by Certified Public Tax Accountants (CPTAs),” provided by Article 19 of the Act for Establishment of the Ministry of Finance.

In order for the NTA to fulfill the “mission” and “duties,” we compiled “future vision as an organization,” which indicates what organization we aim for while managing the organization, as well as “codes of conduct,” which indicates important standards and values for each tax official to perform duties. These are declared to tax officials and announced to the public as the “Organizational Philosophy of the NTA.”



NTA

Organizational philosophy of the NTA

Mission

To help taxpayers properly and smoothly fulfill their tax duties.

Duty

- Realizing proper and fair taxation and collection of internal taxes
- Sound development of the liquor business
- Ensuring proper administration of services by Certified Public Tax Accountants (CPTAs)

Future vision as an organization

An organization that supports the nation's finance with trust

- An organization that flexibly copes with changes in the economic society, improves taxpayer convenience and continues to progress.
- An organization that makes taxation and collection more efficient and sophisticated and conducts strict and appropriate examinations and disposition for delinquent tax while cooperating with a wide variety of relevant persons.
- An organization that is vibrant and open, respects the diversity of each official and provides high performance as a team.

Codes of conduct

Tax professionals who take on a difficult challenge holding the mission to heart

- Keep secrets associated with duties and maintain disciplines. Never forgive frauds and carry out duties in a fair and honest manner.
- Constantly review duties with a sense of participation and challenging spirit and make administrative duties more efficient and sophisticated.
- Strive to acquire expertise and skills and demonstrate our abilities to the fullest.

2 Digital transformation for tax administration

(1) General remarks

The NTA released “Digital Transformation for Tax Administration: Future Vision of Tax Administration 2.0” (<https://www.nta.go.jp/about/introduction/torikumi/digitaltransformation/index.htm> [in Japanese]) (hereinafter “Future Vision 2.0”) in June 2021, to clarify our policy for handling the “fundamental reviews of national tax-related procedures and TO BE status of relevant operations using digital (digital transformation for tax administration)” (hereinafter “DX”).

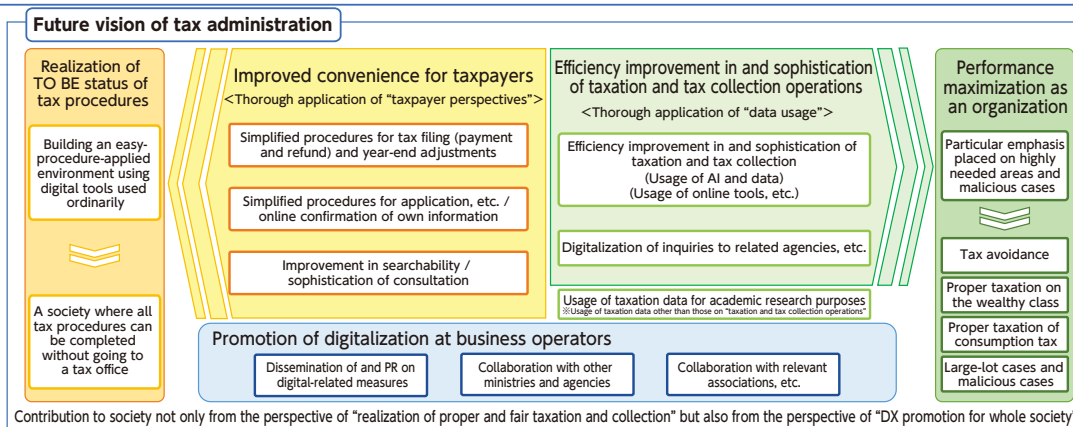
In June 2023, Future Vision 2.0 was revised, for demonstrating that we will further promote DX for tax administration, in accordance with three pillars: that is, two earlier pillars (“improvement of convenience for taxpayers” and “higher efficiency in and sophistication of taxation and tax collection”) plus a new pillar “promotion of digitalization by business operators” (Digital Transformation for Tax Administration: Future Vision of Tax Administration 2023 (<https://www.nta.go.jp/about/introduction/torikumi/digitaltransformation2023/index.htm> [in Japanese])).

Digital Transformation for Tax Administration:
Future Vision of Tax Administration 2023



Digital Transformation for Tax Administration: Future Vision of Tax Administration 2023

- ◆ We will promote digital transformation for tax administration (that is, fundamental reviews of national tax-related procedures and TO BE status of operations) such as digitalization of tax procedures and data usage in operations.
- ◆ We will promote DX for whole society starting from taxation, through facilitating digitalization for operations of business operators.
 - ➔ We will contribute to society from the perspective of “DX promotion for whole society” as well, in addition to the perspective of “realization of proper and fair taxation and collection.”



* We will do our best to ensure adequacy in handling taxpayer information and information security.

* We will aim to provide efficient and easy-to-use services for all taxpayers including those who are not dexterous in handling digital.

* Towards realization of the future vision, we will carry out the following: “realize center-based system for internal administrative tasks;” sophisticate the systems; and improve the infrastructure (personnel development, etc.).

(2) Status of the initiatives concerning “improvement in convenience for taxpayers”

We will aim to build an environment that enables even those who are not familiar with tax to carry out procedures easily and conveniently using a digital tool used ordinarily (smartphone, tablet, PC, etc.). As such, we will pursue various measures, more treasuring the “taxpayer perspectives” than ever.

As an approach for that, we set an assumed typical model of taxpayer (persona), to obtain a bird’s eye view of the whole actual flow for a taxpayer to “confirm whether declaration is necessary or not, find the necessary procedures, make an inquiry, submit a tax return, and pay taxes” as well as to enable optimum improvements for UI/UX; and specify a customer journey for the persona to implement tax procedures. Through it, we are visualizing the current problems and considering improvement measures.

As concrete measures, we are promoting the following: simplify the declaration and application procedures (expansion of the range of items that can be entered automatically, etc.) towards realization of “Japanese version of pre-filled tax return” (tax return not requiring description); sophistication of search and consultation using digital, etc.

(3) Status of the initiatives concerning “improvement of efficiency in and sophistication of taxation and tax collection”

Data are the sources of wisdom, value, and competitive edge; they also are positioned as the clues used to solve social challenges in Japan, which is an advanced country in addressing new challenges. In tax administration, too, we think it is important to improve efficiency in and sophisticate the operations using data (or on the premise of data usage) as well as to tackle the challenge of BPR.

Therefore, we will not only proactively use data but also actively leveraging online tools in carrying out tasks, including the scenes of taxation and tax collection. Also, we will expand data-used information exchange for inquiries to other entities such as local governments and financial institutions, through promoting digitalization.

Also, from the viewpoint of effective use of data, we are considering the ways to use taxation data for academic research purposes as well.

(4) Promotion of digitalization at business operators

Powerful promotion of digitalization of all transactions of business operators or of all accounting processes, etc.: This is regarded as one of the important challenges for the whole government to tackle.

Regarding the administrative tasks processed by business operators in daily operations (those related to economic transactions, those processed by back office), if they can be completed by digital consistently, it is expected each business operator can enjoy huge advantages such as improved accuracy through prevention of simple errors and improved productivity through higher operational efficiency.

Therefore, we also are promoting the measures to encourage business operators to pursue operational digitalization, in addition to digitalization of tax procedures.

If economic transactions and operations are digitalized, and if an environment is established where efficient digital processing is enabled consistently including tax processing, productivity improvement would be realized at business operators; as a result, digitalization of other business operators would be encouraged, and both tax procedures and operations would see further digitalization. This means creation of a “virtuous cycle in that promotion of digitalization leads to further digitalization.” Thus, if it occurs, we could expect it will lead to DX promotion for whole society and advantages of digitalization will spread to whole society.

We are endeavoring to help business operators promote respective operational digitalization, from the perspective of enabling digitalization of whole business process of business operators, with an eye on the fact that such efforts have social implications in that they could contribute to DX promotion for whole society.

3 Thoughts on management of tax administration

We will pursue the following initiatives, to fulfill the above-mentioned missions and roles as well as to earn understanding and trust from taxpayers.

NTA Initiatives

(1) Enhancement of services for taxpayers

- Work to provide an excellent means for filing and payment using ICT, such as e-Tax (online national tax return filing and tax payment system) and filing assistance on the NTA website.
- Provide the necessary information needed for filing via NTA websites etc. so that taxpayers can correctly file and pay their taxes themselves.
- Work to improve an environment and provide support to enhance tax education, in cooperation with the relevant ministries, agencies, educators and private organizations.
- Respond to advance inquiries and advance pricing arrangement of transfer pricing taxation, so the taxpayer can predict in advance the tax treatment of its own economic activities.

(2) Promotion of administrative work efficiency and enhancement of organizational foundations

- To appropriately perform the NTA's duties under the severe fiscal conditions, work to secure the necessary structure, staff and budgets, appropriately allocate them, and take the taxpayers viewpoint in working to boost efficiency and reduce costs.
- Constantly review to simplify and boost efficiency, for example by computerization of clerical processes. For the income tax return, focus on encouraging use of e-Tax which contributes to enhanced taxpayer convenience.
- Thoroughly control administrative documents and information.
- Accurately assign personnel corresponding to their experience and abilities, while paying attention to hiring and promoting female staff. To enhance needed specialized knowledge, provide guidance and development measures such as training.

(3) Proper and fair taxation and collection and remedy for taxpayer rights

- Take a strict stance against malicious taxpayers, while protecting taxpayer rights and interests.
- Upon dispositions for taxation and delinquent tax, and then accurately confirm the facts and apply the laws and regulations.
- Systematically work in response to increasingly complex economic transactions, etc. Work to enhance the system to collect information, and accurately prioritize issues such as response to the increasing diversity of asset investments and fraudulent refunds for consumption tax.
- For international transactions, exchange information with foreign tax authorities based on tax treaties, and take strict actions towards tax avoidance etc., in which taxation problems are found.
- Promote the enhancement of corporate governance on tax matters through exchanging opinions with executive officers of large enterprises, etc. At the same time, reallocate the volume of examination duties to corporations with a high necessity of examination from those judged that the necessity of examination is low including the situation of corporate governance.
- Achieve proper and speedy processing of a request for review, as well as develop environment for more user-friendly request for review system.

(4) Proper management of liquor administration

- As the competent agency in liquor business to aim at the preservation of liquor tax and the sound development of liquor business, the NTA endeavors to ensure the proper enforcement of laws and strengthens the promotion of liquor business (especially promoting exports) from the comprehensive perspective that covers consumers and the whole liquor industry while coordinating and cooperating with related government offices, organizations, etc.
- Make efforts to cultivate overseas markets through distributing information globally and holding international negotiations, etc., to promote the establishment of brands through spreading the use of Geographical Indications (GI), to provide technical assistance to liquor manufacturers, etc. and to ensure the safety of liquor among others.
- To ensure fair trade of liquor, conduct a survey of liquor business operators to check the actual state of trading of liquor, etc. If a transaction that does not comply with "the Standards for the Fair Trade of Liquor" is detected, we take strict actions including issuing instructions.
- To respond to social requirements, such as countermeasures against health problems caused by alcohol intake and promotion of recycling resources, increase the publicity of the ban on selling liquor to people younger than the age of 20 and recycle of liquor containers, etc.

(5) Proper administration of services by Certified Public Tax Accountants (CPTAs)

- Endeavor to coordinate and cooperate with Certified Public Tax Accountants' Associations as organizations for improving the work of CPTAs, because CPTAs play important roles in the proper and smooth realization of the self-assessment system.
- Work to prevent violations of the Certified Public Tax Accountant Act by CPTAs etc. At the same time, take strict action against CPTAs etc. who violate the Certified Public Tax Accountant Act and so-called "fake CPTAs" by applying disciplinary actions and filing accusations seeking prosecution.

(6) Results evaluation (Evaluation of Policies) and improvement of tax administration

- Provide easily understood information on issues the NTA should work on, on its policy initiatives and its various measures, and on its evaluations and verifications of the results of their implementation. In addition, work to improve tax administration, based on the evaluations and verifications of the results of its implementation.

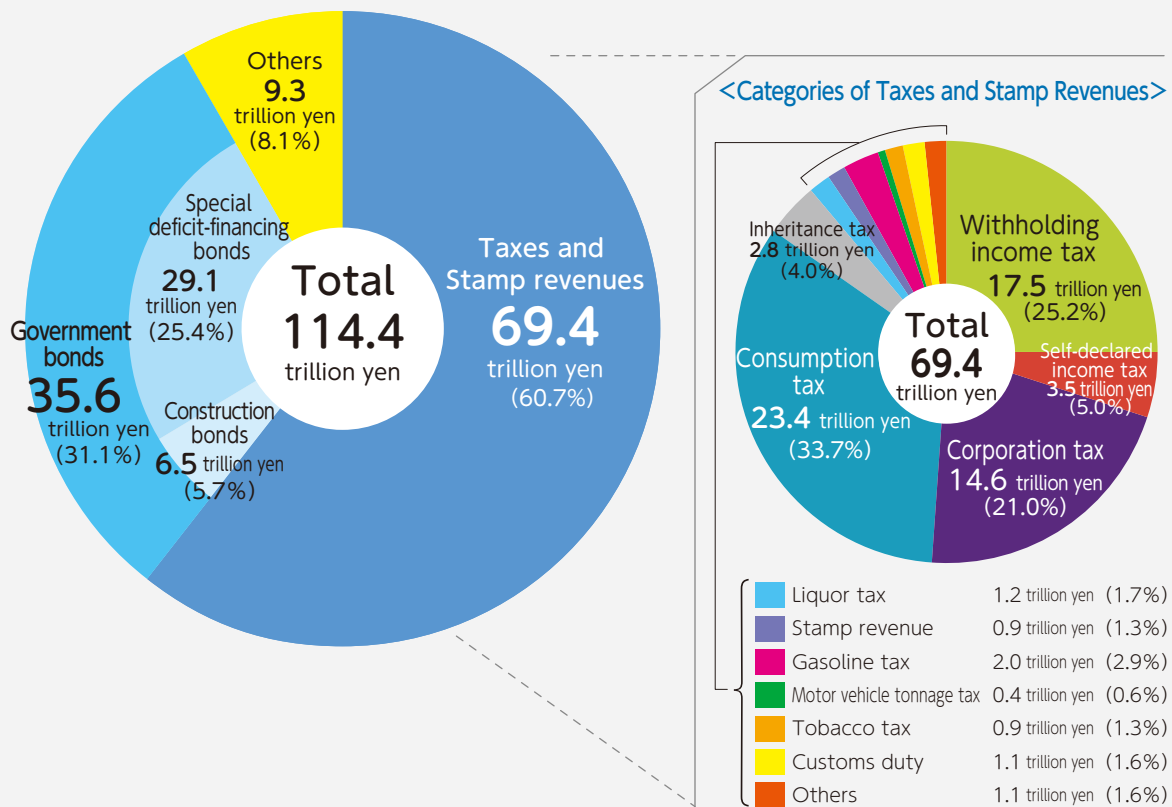
4 Overview of the national tax organization

(1) National revenue and taxes

National revenue (initial budget for general account revenues) for FY2023 stands at 114,381.2 billion yen, of which 69,440 billion yen is from taxes and stamp revenues.

The income tax, corporation tax, and consumption tax account for about 80% of tax revenues.

■ National revenue (FY2023 general account revenues (initial budget))



※1 Government bonds are revenues generated by construction bonds to finance public project-related expenditures and special deficit-financing bonds issued to compensate for the revenue shortfalls. All are debts which are to be repaid in the future.

※2 The total amount of each item and the amount indicated as "Total" do not exactly match, due to rounding of fractional figures.

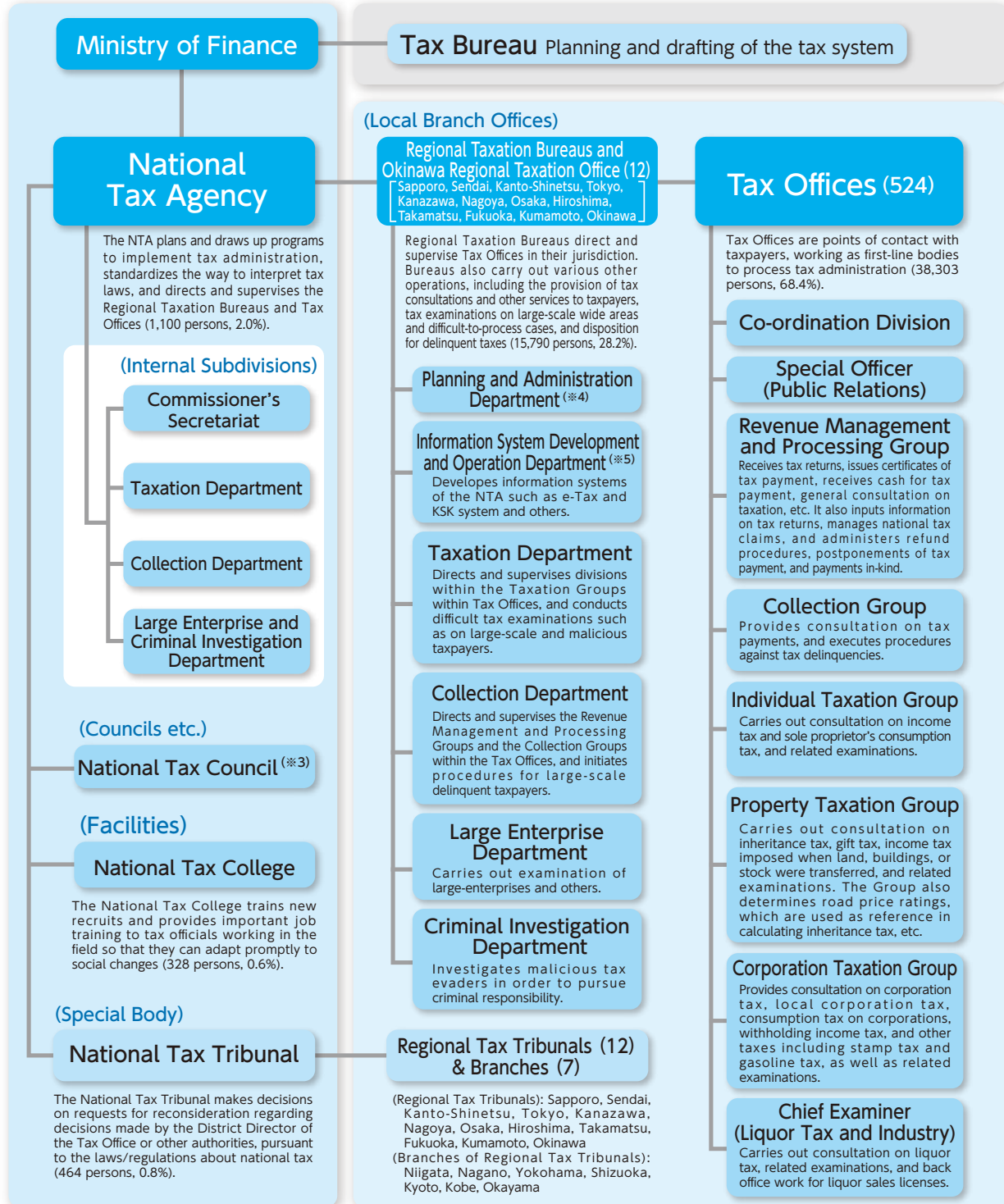
※3 Please refer to "Thinking About Japan's National Finance" available on the official website of the Ministry of Finance (<https://www.mof.go.jp/zaisei/index.htm> [in Japanese]) concerning national expenditures.

(2) NTA budget

The NTA initial budget in FY2023 stands at 641.7 billion yen, with salary costs amounting to 563 billion yen and general expenses 78.7 billion yen.

(3) Organizational structure and number of personnel of the NTA

The NTA supervises 12 Regional Taxation Bureaus and 524 Tax Offices throughout Japan to process national tax administration. Also, the authorized capacity for manpower of the NTA is 55,985 persons for FY2023. (※1. ※2)



※1 The headcount and percentage indicated in each department represents the prescribed number of personnel, and its percentage of the overall number of personnel in the NTA (FY2023).

※2 The prescribed number of personnel of 38,303 persons for tax offices includes the prescribed number of personnel of 220 people (0.4%) to promote employment of the challenged.

※3 The National Tax Council addresses the following: ① deliberation of cases in which the NTA Commissioner does not recognize the opinion of the Director-General of the National Tax Tribunal as reasonable, where the Director-General of the National Tax Tribunal determines the case by interpreting laws differently from the notification issued by the NTA Commissioner; ② implementation of CPTAs examination and decision on the disciplinary actions applied to CPTAs; and ③ deliberations on the establishment of labeling standards for liquor, and other matters.

※4 Office of Submission Processing Center was established in July 2021. For details, please refer to Column 2 on page 21.

※5 Information System Dept. was installed in the Tokyo Regional Taxation Bureau in July 2023.

~ Enhancing taxpayer services through using data, digital tech, etc. ~

Japan adopts a self-assessment system for most of its national taxes. Under this system, taxpayers themselves calculate their income and tax amount, based on which they file and make a payment. In order for the self-assessment system to function properly, taxpayers are required to have a high level of awareness regarding tax payment and proactively and properly fulfill the obligation of tax responsibilities as provided by the law.

To this end, we are working on various convenience improvement measures and information provision to enable taxpayers to submit tax returns and pay taxes in an easy and convenient manner, by using data and digital tech. This way, we are striving to strengthen our services for taxpayers.

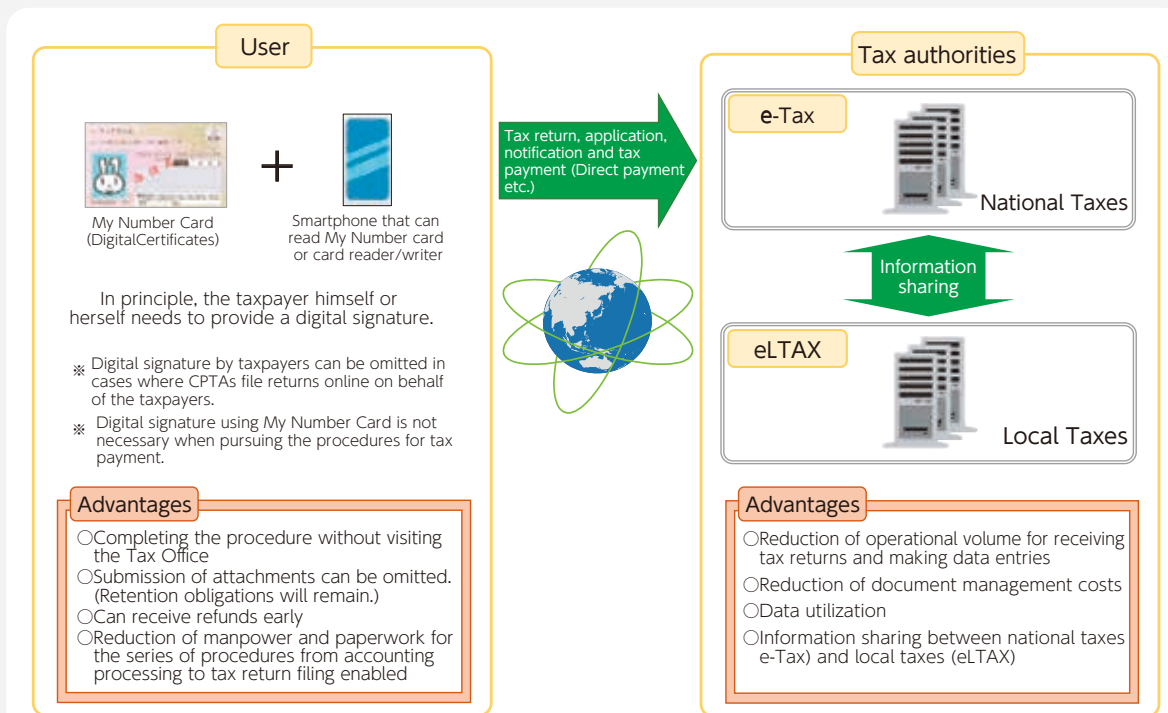
1 e-Tax (Online national tax return filing and tax payment system)

~ Strongly promote various measures in order to expand the uses of e-Tax ~

By using e-Tax, each taxpayer can pursue various procedures for national taxes online such as tax return filing, submission of applications / notifications, and tax payment.

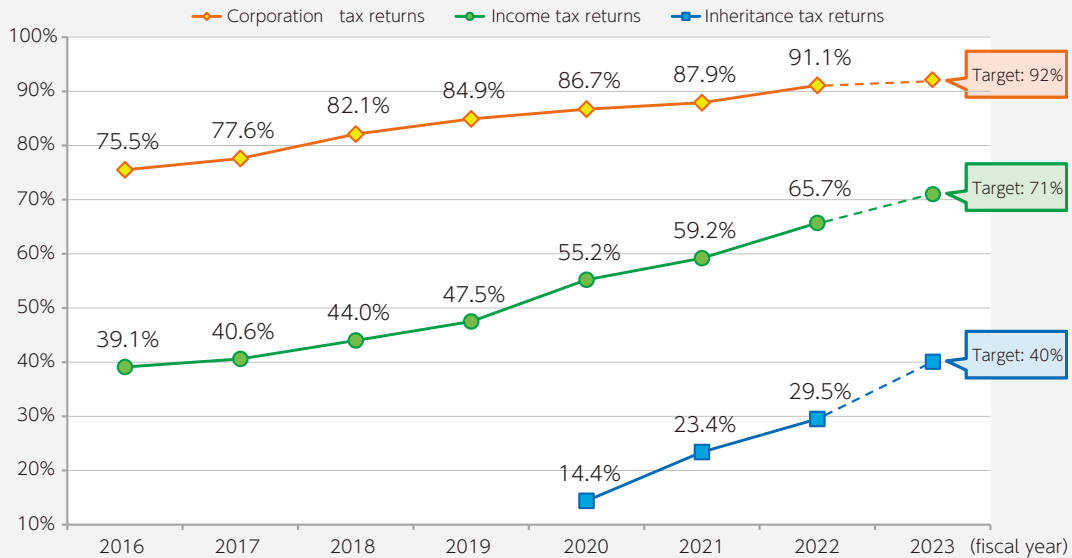
We are strongly promoting various measures to enhance the convenience of e-Tax for expanding usage of e-Tax (see Column 1), and online usage rate has been steadily increasing.

■ Outline of e-Tax



Rates of online filing

We will aim to further raise the rates of online filing through setting the target.



※1 Data for FY2022 are preliminary.

※2 For income tax, the data include tax returns prepared at the consultation sites and submitted via e-Tax.

※3 The graph shows rates for major tax procedures. Please refer to the e-Tax website (<https://www.e-tax.nta.go.jp/mypage/index.htm> [in Japanese]) for other procedures.



Website of e-Tax
“The NTA measures to raise the usage rate for online procedures”

Column 1

Measures for improving the convenience of e-Tax

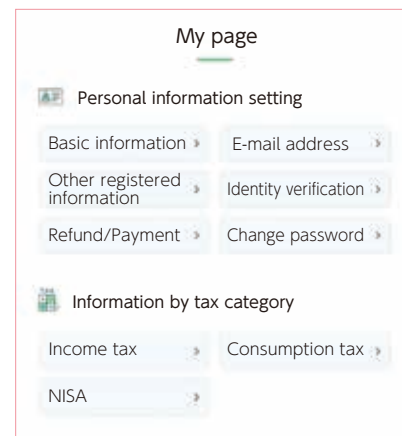
1 Provision of “My page” where each taxpayer can browse his or her own information registered with e-Tax [It became available in January 2023]

On “My page” of e-Tax, each taxpayer can confirm the following: his or her own personal information (“name,” “place to pay taxes,” etc.); information on the registered financial institutions; information related to tax payment or refund (processing status of refund, etc.); information related to each tax item (“approval of blue return submission for income tax,” etc.).

※ For details, see the e-Tax website
https://www.e-tax.nta.go.jp/topics/topics_20230104_identify.htm [in Japanese]



Website of e-Tax
“My page”



Envisioned screen of “My page”

2 Number of times to read My Number Card became only once [It took effect in January 2023]

We introduced a new function to implement personal identity confirmation targeting the taxpayers who use e-Tax by My Number Card.

If this process is used, digital signature using My Number Card (which has been required each time data of a tax return, etc. are sent to e-Tax to date) becomes unnecessary.

Along with this, the number of times to read the My Number Card of any taxpayer who submits a tax return using My Number Card became only once from three times previously allowed.

※1 Those who did tax filing using My Number Card in the past are targeted.

※2 See the website of e-Tax for details.



Website of e-Tax
“e-Tax will be more convenient, if you use your My Number Card”

2 Filing for tax return

~ Number of taxpayers who filed tax return for income tax was 22.95 million. More than half of them filed for refund. ~

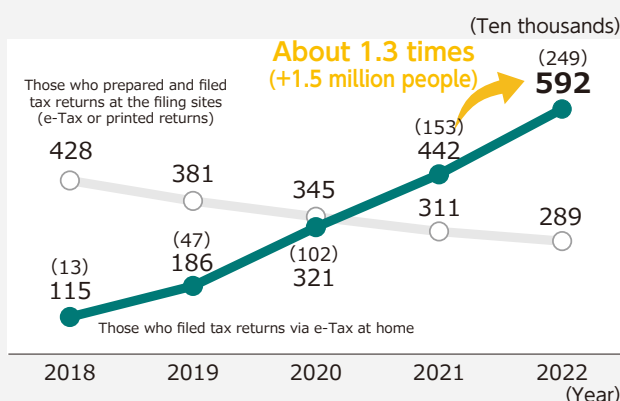
Tax filing is a procedure, in which the taxpayer calculates income and tax amount for a one-year period, files and pays taxes. Not only persons obligated to file, but also those who obtain tax refunds file tax returns, for example, because they paid a certain amount of medical expenses. 22.95 million people filed their income tax for 2022; thus, one out of five residents filed tax returns. Of these, over 13.33 million people filed for refunds, comprising over half of the people filing tax returns.

(1) Promotion of filing by e-Tax at home

The NTA promotes that taxpayers themselves file at home by e-Tax (including the filing assistance on the NTA website), so that they can file returns without visiting the filing sites.

Among the tax returns filed for 2022, those who filed from home using e-Tax accounted for 5.92 million people. This figure was about 1.3 times the number of people who had done so for 2021.

■ Trend in the number of taxpayers who filed tax returns via e-Tax at home



The number of people who filed 2022 tax returns	ten thousands
Via e-Tax at home	1,076
Transmissions by taxpayers themselves	592
Via smartphone, etc.	249
Proxy transmissions by CPTAs	484
At the filing sites	289
Via e-Tax at the designated sites by local governments	154

※ Figures in parentheses represent the number of taxpayers who used smartphones, etc. for filing. (Using a smartphone, etc. became allowable for the first time for 2018 tax return.)

~ The filing assistance is available on the NTA website ~

With the filing assistance on the NTA website (<https://www.keisan.nta.go.jp/kyoutu/ky/sm/top#bsctrl> [in Japanese]), if a taxpayer enters the amounts and other necessary information according to the guidance on the screen, income amounts and tax amounts are automatically calculated, and it allows taxpayers to complete their tax returns accurately for income tax, consumption tax for sole proprietors, gift tax, etc. as well as financial statements for blue returns; and the filing data thus produced can be transmitted as is via e-Tax.

Note that, by linking with Mynportal, information on deduction certificates such as for medical expenses, life insurance premiums, and tax reduction through contributions to local governments can be collectively obtained, and amounts, etc. thereof are automatically entered in corresponding fields.

Regarding the filing assistance on the NTA website, we make efforts for better design to enable easy use so that much more taxpayers are going to file at home; for instance, we have provided dedicated pages for smartphone users.

About tax filing for income tax using smartphone

We introduced a site designed and optimized for smartphone (the dedicated site for smartphones) and are gradually expanding its target scope. It can be used not only by those who earned employment income (who received salaries from the workplace) or miscellaneous income (who received pension income or income from side business) but also by those who prepare a financial statement for blue return and statement of earnings and expenses.

Regarding a “tax withholding slip for salary income,” if it is captured by a smartphone camera, it can be automatically entered to the filing assistance on the NTA website.

Target scope for tax filing by smartphone
(NEW will be applicable starting with the tax filing for 2022 [Early January 2023 ~].)

【Target types of income】	【Various deductions, etc.】
➢ Business income* NEW	➢ Income deductions of all types
➢ Real estate income* NEW	➢ Special credit for contributions to political parties, etc.
➢ Employment income	➢ Reduction or exemption of income tax due to disasters
➢ Miscellaneous income	➢ Foreign tax credit
➢ Occasional income	➢ Amount of estimated income tax prepayment that has been already paid
➢ Annual transaction statement for specified account (Transfer income, dividend income, etc. from listed stocks, etc.)	➢ Losses carried forward to be deducted this year
➢ Amount of losses on transfer of listed shares, etc. carried forward from the previous year	

※ Business income and real estate income can be handled on the dedicated site for smartphones, only when financial statement for blue return and statement of earnings and expenses were prepared using the filing assistance on the NTA website.



※1 The dedicated site for smartphones can be used only for the tax filing for 2022.

※2 In the case of income other than the above, income deductions or tax credit, taxpayers can prepare tax returns on the same screen as PC's

~ The number of people that submit a tax return with e-Tax using the “filing assistance on the NTA website” is increasing each year ~

In the filing period for 2022, the number of people who filed tax returns for income tax from home with e-Tax using the “filing assistance on the NTA website” was 5.61 million including proxy transmissions by CPTAs. The number of users has been increasing year after year. The figure exceeded the number of people who submitted paper tax returns using the “filing assistance on the website” (3.51 million people) for the first time. This shows a further accelerated pace of the shift from paper to e-Tax filing. Of 5.61 million people, about 2.49 million people created a tax return using smartphone, etc.

(2) Response to diverse taxpayer needs

~ Easing congestion at the filing sites by using numbered tickets ~

To ease congestion at the filing sites during the tax filing period, numbered tickets, denoting when to enter the sites, are distributed to the taxpayers wishing to visit the sites.

The tickets are distributed at each site on the day; additionally, they can be issued in advance online.

~ Opening Tax Office on Sundays during the filing period ~

We heard voices from taxpayers that they want filing consultations on the days other than weekdays as well. In response to that, we receive tax returns and provides filing consultations on two Sundays during the tax return filing period at some Tax Offices.

Cooperation with local governments

In an effort to simplify taxpayer filing procedures and improve administrative efficiency, the NTA is working on achieving close cooperation with local governments: for instance, mutual provision of data on tax returns of income tax.

3 Promotion of cashless payment

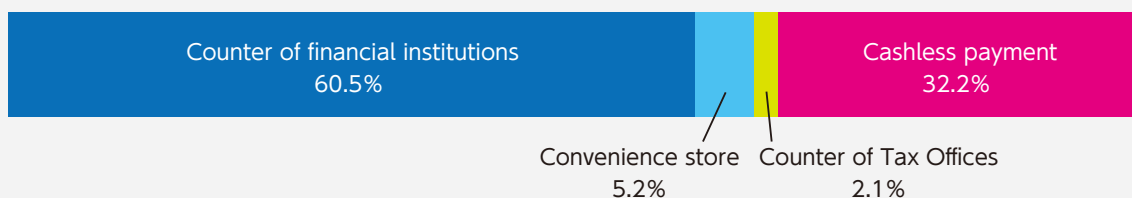
~ Building an environment that enables cashless payment in an easy and convenient manner ~

At present, about 70 percent of total national tax payments are made at financial institutions, convenience stores or counters of Tax Offices.

We are striving to expand usage of cashless payments with a goal to achieve 40% in cashless payment share by FY2025, aiming to perform the following three: improve the convenience for taxpayers; improve the operational efficiency; and realize non-contact tax procedures.

In addition, for carrying out dissemination and PR for the trend toward cashless payments and soliciting its usage, we are collaborating with the BOJ and other relevant entities such as local tax authorities and financial institutions.

■ Proportions of national tax payments by payment method: FY2021 results (based on the number of cases)



~ Enhanced taxpayer services by offering various payment methods ~

Given the diversification of payment methods and the progress in using cashless, we enhance taxpayer convenience for national taxes as well, through introducing diverse payment methods as below:

(1) Cashless payment methods



General guidance about tax payment on the NTA website

Transfer tax payment

***Available for self-assessment income tax and consumption tax of sole proprietors only**

Transfer tax payment is a tax payment procedure by debiting tax amounts from a deposit account or a savings account designated by each taxpayer by using a request form for payment by transfer in advance.

By submitting a transfer request to a Tax Office or financial institution, or via e-Tax, transfer tax payment will automatically be carried out from the next time onwards.

This is a convenient procedure for the individuals who submit tax returns of income tax and consumption tax.

Direct payment (account transfer using e-Tax)

***Available for all tax categories**

Direct payment is a procedure that enables taxpayers to pay tax immediately or on a designated payment date, based on an application for use submitted in advance, by simple operation (by way of transfer from a deposit account or a savings account) after filing tax returns digitally by e-Tax.

Any user (limited to individuals) can use this by submitting the usage application to the relevant tax office or to your financial institution or by submitting the usage application via e-Tax.

This is a convenient procedure for those who file a tax return with e-Tax, or particularly for those who frequently pursue payment procedures (monthly payment of withheld income tax, etc.).

Online tax payment using Internet banking etc.***Available for all tax categories**

This is a procedure for payment using the Internet banking or ATM of financial institutions that accept Pay-easy payment, which is enabled by submitting an application to start using e-Tax in advance.

Payment with credit card***Available for all tax categories**

This is a payment procedure which is used by inputting credit card information on the dedicated website (credit card payment site for national taxes).

- ※1 When paying taxes this way, settlement charges dependent on the tax amount need to be paid separately. (Such settlement charges are not the funds to be counted as part of the revenues for the government.)
- ※2 Please note that the tax amount that can be paid with a credit card is less than 10 million yen and within the payment limit of the credit card to be used.

Payment by smartphone app

This is a payment procedure where a usable payment method is chosen on a dedicated website (smartphone-dedicated payment site for national taxes).

- ※1 Amount that can be paid at a time is 300,000 yen or less.
- ※2 Certain balance needs to be charged in advance for the payment method chosen.

(2) Payment methods other than cashless**Payment at convenience stores*****Available for all tax categories except for the spontaneous payment portion of withheld income tax**

This is a payment procedure at convenience stores where either one of the methods shown below is used.

- ① A QR code is created on smartphone or PC at home, it will be read by a kiosk terminal at a convenience stores, and the payment slip rendered there will be used to pay at the cashier.
- ② Taxpayers may also complete the payment at convenience stores using the barcoded payment slips issued by the jurisdictional Regional Taxation Bureau or Tax Office which are used to inform the taxpayer of scheduled income tax payments and finalized tax payment amounts prior to the payment deadline such as estimated tax prepayment.

- ※1 Amount that can be paid at a time is 300,000 yen or less.
- ※2 "QR code" is a registered trademark of DENSO WAVE INCORPORATED.

Cash payment***usable for all tax categories**

This is a payment procedure where payment is made by cash together with the payment slip at a financial institution (a designated agent for receiving payments on behalf of the BOJ) or the relevant tax office.

4 Efforts towards My Number System

(1) Outline of My Number System

My Number System is the social infrastructure to improve administrative efficiency, enhance public convenience, and realize a fairer and more just society.

Upon the introduction of My Number System, the NTA acts as an entity assigning Corporate Numbers and as well as utilizing My Numbers (Individual Numbers) and Corporate Numbers.

For the overview of My Number system, please refer to the Digital Agency website (<https://www.digital.go.jp/> [in Japanese]).



The Digital Agency website

Myna chan



a. My Number (Individual Number)

My Number is a 12-digit number which has been designated to anyone holding residential registration.

Currently, the usage of My Number is limited to the procedures prescribed by acts or municipal ordinances in the fields of social security, taxation, and disaster response.

b. Corporate Number

Corporate Number is a 13-digit number given to each corporation, such as stock companies. Corporate Number is usable by anyone without any restrictions in usage scope, unlike My Number.

(2) Actions as the entity utilizing My Numbers and Corporate Numbers

~ Utilization and publicity in the national tax field ~

An individual or a corporation needs to fill in the Number (My Number or Corporate Number) on the tax return or the legal payment record every a submission to the Tax Office. When My Number is provided, strict identity verification of the individual is required to prevent identity theft.

For popularizing the My Number system, we created a special corner for the My Number system on the NTA website (<https://www.nta.go.jp/taxes/tetsuzuki/mynumberinfo/index.htm> [in Japanese]) which contains FAQ, etc. Additionally, the NTA is actively promoting various publicity and public relations activities.



The special corner for the My Number system on the NTA website

~ Improving convenience for taxpayers ~

Taking the opportunity of the introduction of the My Number system, attaching a copy of a certificate of residence became unnecessary in a filing procedure such as for housing loan tax credit. In addition, when having transmitted a tax return of income tax, consumption tax, gift tax or inheritance tax via e-Tax, such a taxpayer can access information on income tax return, processing status of filing for refund, etc., saved in the e-Tax's message box via the "Notice" function of Mynportal.¹

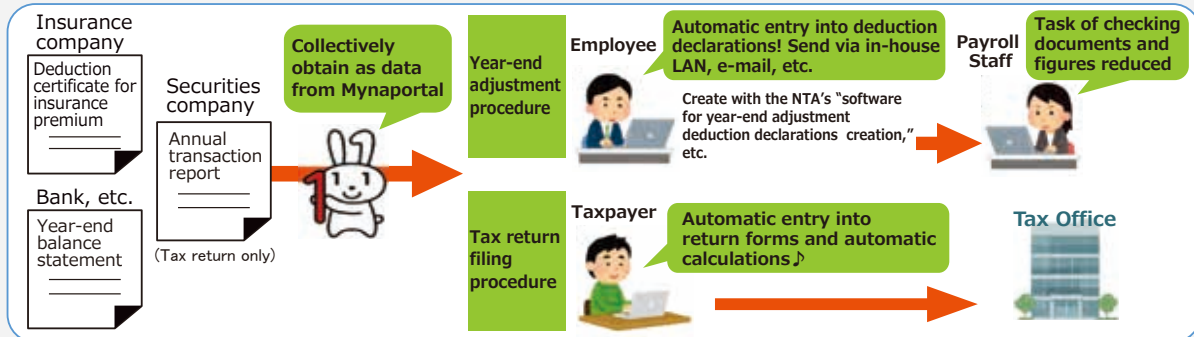
In addition, to further simplify the procedures for year-end adjustment and tax return filing starting with the applications for 2020, the NTA realized a new function (linkage with Mynportal) whereby the data on deduction certificates for life insurance premiums, etc. can be obtained as a batch from the

¹ Mynportal refers to an online site operated by the government which enables users to complete various administrative procedures in one stop and check notifications from government organizations.

Efforts for Enhancement of Services for Taxpayers and Efficiency of Tax Administration

Mynaportal for automated entries to various application forms. We plan to increase document types such as deduction certificates available in Mynaportal going forward.

Image of linkage with Mynaportal



Data obtainable through Mynaportal for each year of tax return filing

Year	List of data that can be obtained through Mynaportal			
2020	Deduction certificate issued by a life insurance company	Special credit certificate for housing loan, etc.	Certificate of year-end balance of the borrowing for home purchase	Annual transaction statement for specified accounts
2021	Deduction certificate for earthquake insurance premiums	Receipt certificate for donation, etc. (Tax deduction through donation to local municipalities)	Notice on medical expenses (from September to December for 2021)	
2022	Slip of withholding tax on public pension annuities	Certificate for deduction of social insurance premiums (national pension insurance premiums)	Notice on medical expenses (for one full year)	

(3) Promotion of popularization of My Number Card

We are promoting relevant measures to improve the convenience for taxpayers using My Number Card as well as proactively engaging in dissemination and PR activities towards wide acceptance of My Number Card, leveraging various opportunities (period for tax filing, Think About Tax week, etc.).

(4) Actions as the entity assigning Corporate Numbers

We designate Corporate Number to each corporation and notify it of the number whenever a newly incorporated stock company, etc. is registered.

Also, information on the three basic items (that is, trade name [or corporate name], head office location [or location of the main office], and Corporate Number) is publicized on the "NTA Corporate Number Publication Site."

As part of the social infrastructure, Corporate Number data are expected to be used effectively in a wide scope of areas whether public or private. At the above site, information on the three basic items can be searched, and also, data download function and web-API¹ function are provided.

In addition, English representations of the trade name and head office location of each corporation are publicized, given the registration by respective corporation.

¹ A mechanism of inter-system collaboration that enables acquisition of information that match certain conditions, through transmittal of a request from each user's system designating the conditions.

5 Promoting digitalization of administrative services

~ Towards the realization of a Digital Government¹ ~

In accordance with the “Priority Policy Program for Realizing Digital Society” (approved in a Cabinet meeting held in June 2023), we are endeavoring to promote digitalization for the national tax-related procedures (improvement in convenience through improved UI/UX, improvement in efficiency and rationalization of relevant operations and systems, etc.), for the purpose of smoothly and properly realizing spontaneous fulfillment of tax-payment obligations by taxpayers.

More specifically, the following improvement measures are being implemented targeting the individuals who use e-Tax with My Number Card: running “My page” where own personal information can be confirmed; reducing the number of times to read the information on My Number Car at the time of application, etc.

Additionally, we will keep promoting digitalization of the whole procedures and improvements of UI/UX (expanding the target scope of automated entries in a tax return through linkage with the Mynaportal, etc.) from now on.

Ensuring stable and reliable ICT system and information security

Since the national tax-related operations are closely connected to public rights and obligations and responsible for managing taxpayer information of a large volume, failure in its ICT system is likely to have a large impact on citizens and impair the credibility of tax administration. Therefore, the NTA is working to maintain stable operation of ICT systems by regularly updating ICT equipment.

We take great care for the prevention of improper use and leakage of information. For instance, we allow our officials to use only the necessary information for their works, and we also conduct security audits regularly.

For the core systems (e-Tax system and KSK system that keep the key data), the NTA obtained the certifications based on the ISMS² compliance evaluation system (certifications based on ISO/IEC27001 and JISQ27001³) which are in conformity with international standards, in 2007. They have been regularly updated since then.

Furthermore, in 2020, the system that designates the Corporate Number also acquired the same certification.

Kokuzei Sogo Kanri (KSK) System (Comprehensive management system for national taxes)

The KSK System, which links all Regional Taxation Bureaus and Tax Offices, is a computer system to facilitate sophisticated and efficient administration by centrally managing information across the area and the type of tax.

Systems upgrade (Development of new system)

The NTA has decided to aim for “improvement of taxpayer convenience” and “more efficient and sophisticated taxation and collection” through utilization of ICT, and as the infrastructure to realize them, we are promoting the development of next-generation system towards its full-scale introduction in FY2026.

We are promoting the development of next-generation system with the following concepts:

1. A system to realize operational processing mainly with data (from paper to data),
2. Integration of database applications, which are currently divided by tax category (elimination of vertical division systems)
3. Renewal from so-called large “main frame” computers using the original OS to so-called an “open system” using store-bought general-purpose OS (departure from main frame).

1 “Digital Government” refers to the initiative of the entire government to review the state of the administration on the premise of digitization, while placing priority on enhancing convenience for citizens and businesses.

2 ISMS (an abbreviated code for Information Security Management System) is an organizational initiative to implement the planning, operation, review and improvement which are required in order to maintain a situation of appropriate management for confidentiality, completeness and usability of information assets which should be protected.

3 ISO/IEC27001: 2005 is one of the standards created by the International Organization for Standardization. This became a global standard for information security management systems in October 2005. JISQ 27001:2006 is a Japanese domestic standard published in May 2006, corresponding to ISO/IEC27001.

Strict Management of Information

The NTA retains various information, such as income data of individuals, and strict management of information is required, since should these information leak out, cooperation from taxpayers cannot be expected, disrupting smooth execution of examinations and collection of taxes, etc.

For this reason, should a tax official leak confidential information obtained through a tax examination, etc., criminal punishment based on tax laws (up to two years in prison or a fine of up to 1 million yen) that is more serious than penalty defined by the National Public Servant Law (up to a year in prison or a fine of up to 500,000 yen) will be sentenced.

In terms of tax officials, in addition to the regularly scheduled training on information security which they are required to attend, they are also informed that certain locations, such as storefronts and entrances, be avoided for questionings during an examination in consideration of the taxpayer's privacy.

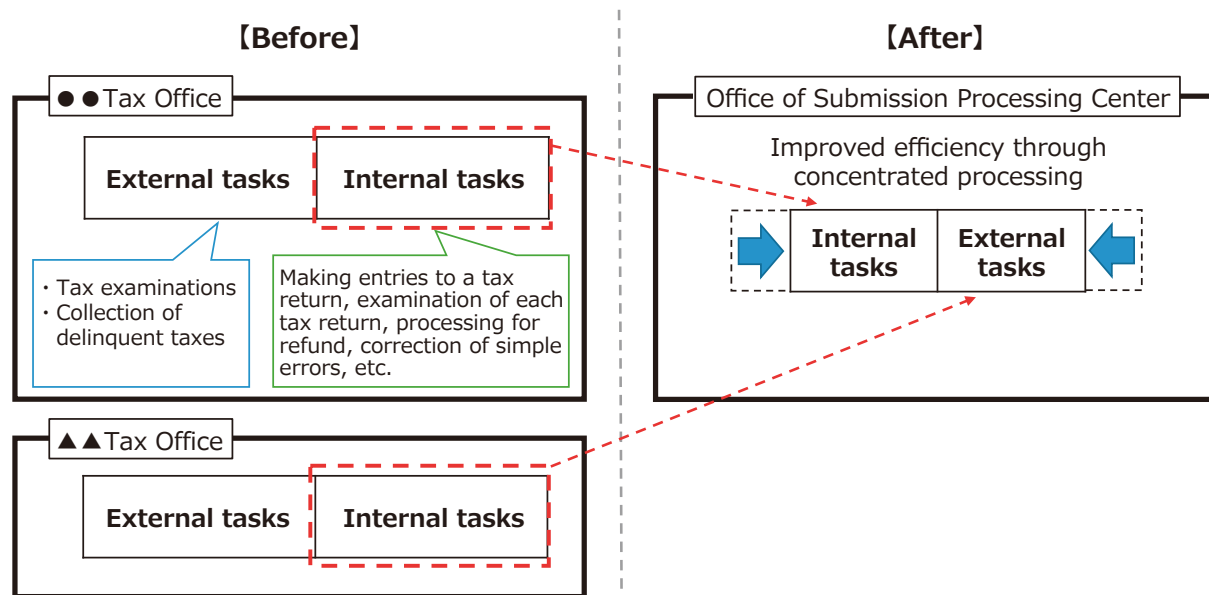
Since the NTA handles specific Personal Information (personal information which contains My Number), with respect to the aim of related laws and regulations, such as the My Number Law, we strive to exercise control of taxpayer information held by the NTA in a strict manner, such as through regular inspection of the condition in which administrative documents are archived and managed.

Column 2

Center-based system for internal administrative tasks

Realization of a “center-based system for internal administrative tasks” is an initiative to seek higher efficiency in operations and ensure operational accuracy through concentrating the operations to a dedicated processing organization (operation center) concerning internal administrative tasks of multiple tax offices.

We will gradually expand the scope of targeted tax offices, and it is planned to target all tax offices to concentrate their internal administrative tasks to a center by 2026.



Creation of a new category for exam (National tax expert B [Science, engineering, and digital course])

To further promote digital transformation for tax administration, we have created a new category of national tax expert B (Science, engineering, and digital course) for the people of science, engineering, and digital course, starting with the national tax expert exam of FY2023, in addition to the conventional category of national tax expert A for the people of law and literature course.

See the NTA website for details.

**2023(令和5)年度から
理工・デジタル系の方向けの、
国税専門官採用試験(B区分)
が始まります!**

国税庁では、税務行政のデジタル・トランスフォーメーションに取り組み、ICT分野での活躍が期待される理工・デジタル系の人材を求めています。

理工・デジタル系の方向けの新たな試験区分では、基礎数学、情報数学、情報工学、物理、化学等といった理工・デジタル系の分野の知識が多く設定されており、幅広く、理工・デジタル系の方が受験しやすい試験となっています。

○国税専門官とは・・・

国税庁は、国の財政基盤を支える内閣府の組織・徴収を行う官庁です。国税専門官は、全国の国税局や税務署で税のスペシャリストとして、次のような業務を行います。

- 国税調査官** 納税者から提出された確定申告書等について、適正な申告が行われたかどうかの確認や検査を行うとともに、申告に関する指導などを行います。
- 国税徴収官** 定められた納期限までに納付されない税金の督促や滞納処分を行って、税金を徴収するとともに、納税に関する指導などを行います。
- 国税査察官** 納税者から申告所得と、実際の課税額に対して課税や滞納などの強制徴収を行い、刑事罰を求めための捜査官に充当します。



6 Providing information, etc.

~ Various public relations activities ~

The NTA provides various information that could help taxpayers perform tax return filing, tax payment, etc. mainly through the NTA website (<https://www.nta.go.jp/> [in Japanese]), as well as through mass media (TV and newspapers), various public relations mediums and explanatory meetings.

In addition, regarding general interpretation and treatment of tax laws, the NTA provides relevant information on the NTA website as well as through pamphlets available at Tax Offices and municipality offices, etc.; regarding general questions and consultation requests related to taxes, we answer them by telephone, etc., and; when there are questions on tax applications related to an actual transaction, we make it a rule to respond to an advance inquiry.

Think About Tax Week

The NTA has been regularly taking various efforts for the improvement in the awareness regarding tax payment to assist citizens to deeply understand the significance and roles of taxes and the current state of tax administration, and to proactively and properly fulfill the obligation of tax responsibilities.

The week from November 11 to 17 is annually set in particular as the “Think About Tax Week”. The NTA conducts various PR activities mainly during this period and also considers this period as an opportunity to receive opinions and requests for tax administration.

The NTA recognizes that understanding the relationship between daily life and taxes through this effort is essential to maintain and develop self-assessment system.

(1) The NTA website

~ Provide easy-to-understand information on the NTA website ~

To enable anyone to easily use the NTA website, we are making efforts to deliver information in an easy-to-understand format, such as simplified layout of the website with menu selection put into one place.

We are also striving to provide contents with text enlargement and voice reading functions so that all people including the elderly and handicapped can use information and functions provided on the NTA website without difficulties.

Overview of NTA Website (top page)

※The following diagram is as of June 2023.



- 1 **Search function within the website**
Function to search through information on the entire NTA website by referencing a keyword
- 2 **Text enlargement / voice reading**
Support functions for the elderly and those who have visual disorders
- 3 **Global navigation**
Information guide that serves as an entrance to various information sites
- 4 **Urgent notice**
Displays highly urgent information, such as disaster-related messages
- 5 **Banner**
Gathers and displays the banners created by the NTA
- 6 **Featured topics**
Displays terms related to information that deserves special attention on the NTA website
- 7 **New arrivals**
Displays new arrival information in a table by content
- 8 **Search for tax office**
Enables the user to search for its jurisdictional tax office by postal code or address
- 9 **Menu by area of interest**
Displays page with the most access by area of interest
- 10 **SNS etc.**
Collects and displays information from all tools used by the NTA to release information
- 11 **Site map**
Displays the composition of the entire NTA website in a table

About the NTA
Efforts for Enhancement of Services for Taxpayers and Efficiency of Tax Administration
Proper and Fair Taxation and Collection
Remedy for Taxpayer Rights
Liquor Administration
Ensuring Proper Administration of Services by CPFAs
Results Evaluation (Evaluation of Policies)
Statistics

※ The NTA submits information including new information regarding the NTA and a press release through the official NTA Twitter account (@NTA_Japan) other than the NTA website. The free video sharing site "YouTube" also delivers videos with information on the NTA activities (including the publicity activities of each Regional Taxation Bureau and Tax Office) and support for self-assessment procedures.

(2) Tax education

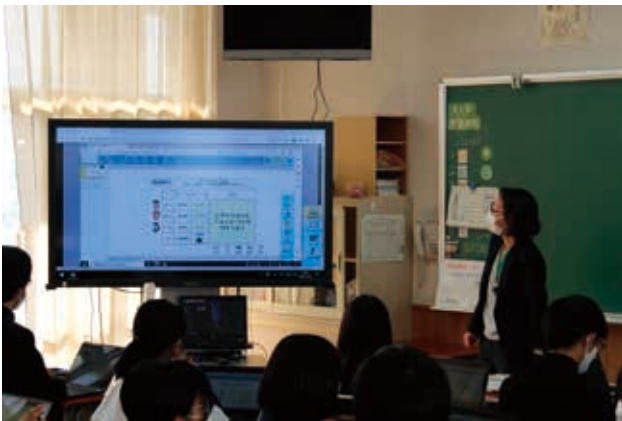
～ Developing the environment for, and providing support for enhanced tax education ～

The NTA works on developing the environment for and providing support for a solid tax education in school education, so that the significance and roles of taxation that forms the country's foundations will be correctly understood.

Specifically, the Council for Promoting Tax Education among related ministries which was installed at the national level (consisting of the NTA, Ministry of Internal Affairs and Communications, Ministry of Education, Culture, Sports, Science and Technology, etc.) meets to discuss effective support measures. Furthermore, we dispatch our staff as teachers to tax education classes on the request of schools, organize tax essay contests, conduct various tax-related events, etc., in cooperation with the Certified Public Tax Accountants' Associations and the relevant private organizations, centered on the councils for promoting tax education established in each prefecture (members: Regional Taxation Bureaus, Tax Offices, local governments, educational leaders, etc.).

Moreover, taking into account changes in the environment surrounding tax education, such as revision of the education guideline and the GIGA School Program, the NTA is making efforts to develop courses and teaching materials that deliver a profound learning experience by accurately ascertaining the needs of the educators and collaborating with related agencies, enabling children and students to make observations in a subjective and interactive manner.

Certain contents are uploaded to the "Tax learning corner" of the NTA website(<https://www.nta.go.jp/taxes/kids/> in Japanese)], for enabling pupils and students to learn about taxes themselves. Also, by using the "Tax☆Space UENO" (facility for tax education, located in the Tokyo Ueno Tax Office), we make such programs as "Tax Office Tour" and "Experiential Learning" available.



Tax education class

■ Number of lectures dispatched to Tax education Class, etc.

Fiscal year	FY2021	FY2022
Officials	7,193	9,126
Non-officials	25,534	31,965
Total	32,727	41,091

■ Number of essays entered for Tax Essay Contest

Fiscal year	FY2021	FY2022
Received from high school students	178,807	148,050
Received from junior high-school students	450,142	460,918

※ Includes the number of lecturers dispatched to universities and vocational schools.

Providing tax knowledge through the Tax Museum

The Tax Museum in the National Tax College has valuable collections of historical documents and materials regarding national taxes. The Museum displays its large number of collections throughout the year and is open to a wide variety of visitors such as primary school children and other people as well as specialists on tax history.

In addition, a “Special Exhibition” is held on a certain theme for each year.

This year’s theme is titled “Cities and taxes of the modern times” and the exhibition is being held from November 1, 2022 until October 31, 2023.

For further information, please visit the National Tax College section within the NTA website (<https://www.nta.go.jp/about/organization/ntc/english/>).



Tax Museum
Special exhibition corner

(3) Lectures

~ Tax Enlightenment Activities to Improve Awareness Towards Tax Payment ~

If a taxpayer can correctly understand the roles of taxes, significance of the tax return filing system, and the rights and obligations of taxpayers as well as can think about them proactively, it could cultivate deep sense of acceptance towards tax payment. Thus, the NTA holds lectures, supported by the Regional Taxation Bureaus and Tax Offices, for college students and adults with the objective to improve awareness of tax payment.

■ Frequency of lectures provided to adults

Fiscal year	FY2021	FY2022
Frequency held	758 times	1,148 times

(4) Briefings for taxpayers

~ Organizing various educational sessions to provide information ~

To help taxpayers better understand the tax procedures and tax system revisions, the NTA holds a variety of briefings, including: (1) various briefings on tax returns, (2) briefings on revisions to the tax laws and (3) briefings for newly established corporations.

■ Frequency of briefings and number of participants

Operation year	FY2021	FY2022
Frequency held	7,990 times	19,537 times
Number of participants	224 thousand people	441 thousand people

(5) Tax consultation

~ Tax consultations are handled through the NTA website ~

To enable each taxpayer to solve his or her own questions about national taxes, the NTA website conducts consultation through “Chatbot” and provides information through “Tax answer.”

Also, tax consultation requests over the phone are covered by the phone consultation center installed in each Regional Taxation Bureau.

~ Scope has been expanded for tax consultations covered by chatbot ~

“Chatbot for tax consultation,” (<https://www.nta.go.jp/taxes/shiraberu/chatbot/index.htm> [in Japanese]) that enables consultation 24 hours a day, 365 days a year, is available on the NTA website.

Through the introduction of the chatbot, users can ask questions on taxes easier and reach the related information posted on the NTA website quicker. In addition to the consultation subjects of “tax declaration for income tax” and “year-end adjustment” covered previously, “invoice system” was added to the list of subjects that can be covered in tax consultation via the chatbot in May 2022 and “tax declaration for consumption tax” was added to it in January 2023.

In addition, general answers are posted to the FAQs concerning national taxes in the corner of “Tax answer” (<https://www.nta.go.jp/taxes/shiraberu/taxanswer/index2.htm> [in Japanese]) where you can conduct a search about your personal status, life events, etc.

Number of questions received by the chatbot

(ten thousand cases)

	2021	2022	2023
Final tax return for income tax	434	634	578
Final tax return for consumption tax	—	—	8
Year-end adjustment	49	56	—
Invoice system	—	19	20

※1 For each year, data for “Year-end adjustment” represent the numbers of consultation requests covered between October and January of the following year. (Data for the items other than “Year-end adjustment” represent the numbers between January and December.)

※2 Regarding 2023, data shown are as of May 31, 2023.

Number of accesses to “Tax answer”

(ten thousand cases)

	FY2020	FY2021	FY2022
Number of accesses	7,875	8,908	8,079

Number of consultations to phone consultation centers

(ten thousand cases)

	FY2020	FY2021	FY2022
Number of consultation requests	582	557	489

※ Including the numbers of consultation requests via email dedicated to the aurally challenged as well as via FAX

You are cordially suggested to use the chatbot and the tax answer, for your questions or consultation requests concerning national taxes.



Chatbot character
Tax staff FUTABA



Chatbot



Tax answer

~ Tax Offices provide tax consultation services on a prior appointment basis ~

We encourage taxpayers to use the chatbot, “Tax answer” or phone consultation centers, if there is any question or a consultation request concerning national taxes.

When consultation over the telephone is difficult, for example if it is necessary to check specific documents or facts, interviews can be made at the Tax Office with jurisdiction.

In the case of an interview consultation, since it is necessary to set aside ample time for the interview and we need to notify the documents to be brought with, we request that an appointment for the interview is made in advance over the phone.

(6) Advance inquiries

~ Enhanced predictability for taxpayers ~

In case a taxpayer has questions regarding the tax treatment of any transaction conducted or to be conducted, Tax Offices receive advance inquiries before transactions or tax filing deadlines and provide answers.

If requested, a written answer may be provided to the advance inquiries mentioned above under certain conditions and the disclosed as Q&As on the NTA website (https://www.nta.go.jp/law/bunsho_kaito/01.htm [in Japanese]) (Response examples in writing).

Among the answers to advance inquiries, answers that can serve as reference for other taxpayers are also posted on the NTA website (<https://www.nta.go.jp/law/shitsugi/01.htm> [in Japanese]) (Q&A examples).

■ Number of Advance inquiries received by written reply procedure

Fiscal year	FY2021	FY2022
Number of Advance Inquiries Received	117	125

■ Number of Q&A examples posted on website

As of the end of fiscal year	FY2021	FY2022
Number of Q&A posted	1,991	2,005

Column 4

NTA's response to the Covid-19 pandemic (as of May 8, 2023)

Since the first infected person of Covid-19 in Japan was confirmed in January 2020, various infection control measures and economic measures have been undertaken by the government in accordance with the degree of expansion of the pandemic.

When responding to consultation requests about tax filing or conducting tax examinations, etc., we strive to be consistent with the situation of each taxpayer, etc. and ensure that any step taken by us be based on understanding cooperation by taxpayers.

Concerning the NTA's response and efforts addressing the COVID-19 pandemic, we have managed to do wide and fast information provision using not only our own website (<https://www.nta.go.jp/taxes/shiraberu/kansensho/index.htm> [in Japanese]) but also various media such as press and SNS as well as the channels of related private organizations and local governments. Also, regarding tax treatment, we have managed to provide easy-to-understand information: for instance, posting answers to FAQ on our website; and information provision in the form of video.

We ask citizens of Japan for continuous understanding and cooperation in preventing further spread of the pandemic.

1 Measures for final income tax return filing

Since a significant number of people visit the final income tax return sites at the tax offices, etc. for filing consultations, we encouraged e-Tax be used for 2022 filing period for income tax returns so that taxpayers could file their tax returns from home, etc. At the same time, we started to accept filing consultations before the tax return filing period. In these ways, we managed to reduce and disperse the number of visitors during the filing period for income tax returns.

In addition, to mitigate congestion at the sites, we adopted the sorting ticket system (prior issuance online is also possible) for admitting entry on the nationwide basis, just like the returns for 2021.

2 Measures for those experiencing difficulties in paying their taxes

Regarding those who were difficult to pay taxes due to deteriorated cash flow resulting from the impact of the Covid-19 pandemic, we have endeavored to apply grace system for national tax payment to them promptly and flexibly considering the situation and mental conditions of such taxpayers.

Regarding the grace system, we have made efforts to make it applicable to those who need it early, by approaching taxpayers through various channels as follows: system briefing provided at the designed corner; and provision of information and PR through the website of the NTA, associations of CPTAs, related private organizations, and industrial associations, etc.

In addition, Tax Offices accept questions and inquiries about the grace system, and for each application for extension, it is recommended to use digital application via e-Tax or postal mail.

3 Measures for liquor business operators

To support the liquor industry which has faced deteriorated consumption due to the Covid-19 pandemic, we have deployed public-private promotional events to recover and expand the domestic demand for liquor products (events for consumers in the relevant regions). Also, it is our current mission to help the liquor business operators pursue managerial reforms and help the industry promote the structural transformation, to realize the conversion of economic structure as well as the virtuous cycle in the post-pandemic. Regarding such initiatives and the specific support measures of the government for the operators, we are striving to provide necessary information. For further details, please refer to information available on the NTA website (<https://www.nta.go.jp/taxes/sake/kansensho/index.htm> [in Japanese]).

7 Proper withholding tax system operation

~ Providing information and publicity to withholding agents ~

In the withholding tax system, withholding agents finalize the taxation process by doing year-end adjustments, which eliminate the procedures for tax returns for a large portion of the over 50 million wage earners. The withholding tax system is as important in tax administration as the self-assessment system.

To have withholding agents properly process withholding tax procedures and pay taxes, the NTA provides information and pursues publicity activities about the withholding tax system through creating a page for withholding agents on the NTA website and posting thereon various guidebooks, pamphlets, explanatory videos, etc.

8 Actions for the amended Consumption Tax Act

(1) Invoice system for consumption tax (Retention of eligible invoices, etc.)

Starting in October 2023, the requirement of retaining eligible invoices will take effect (Invoice system). Under the invoice system, tax credit on purchases requires the retention of accounting books and invoices, etc. such as the “eligible invoices” that are issued by taxable business operators who applied to the head of relevant tax office and got registered as “eligible invoice issuing business operators.”

We are working to provide information and consultation, while maintaining close communication and cooperation with relevant ministries and private organizations, so that business operators are able to fully understand the invoice system, and respond to it or prepare for it.

(2) Measures for smooth and appropriate shifting of consumption taxes

Consumption tax is a tax which is supposed to be eventually incurred by consumers through pass-through onto the price of a product. Therefore, it is important that business operators are able to pass the consumption taxes onto the product prices in a smooth and appropriate manner.

The NTA is ensuring response to the inquiries, etc. on the pass-through of consumption tax at a corner of each Tax Office (consultation corner about the revised regulations on consumption tax) in collaboration with related ministries and agencies.

9 Cooperation with private organizations

~ Provide necessary tax information to taxpayers in cooperation with relevant private organizations ~

The NTA is making public announcement and public relation actively, through various explanatory meetings etc., cooperating with relevant private organizations.

Relevant private organizations are instrumental in promoting measures for the wider uses of e-Tax, popularizing the My Number system, and holding various joint events in the “Think About Tax Week”. As such, they play significant roles for realizing an adequate self-assessment system, spreading the tax knowledge, etc. through the strengthened collaboration and cooperation between the organizations.

Blue Return Taxpayers’ Associations

Blue Return Taxpayers’ Associations are organized for the purpose of “contributing to establishment of self-assessment system and promoting of small enterprises,” mainly by sole proprietors who use the blue return system. They perform a wide range of activities: for instance, guidance on bookkeeping for sole proprietors; consultation on account settlement and tax return filing; holding various briefing sessions; provision of management support; and encouraging filling of blue return.



The website of the National General Federation of Blue Return Taxpayers’ Associations

Corporations Associations

Corporations Associations are organized for the purpose of “contributing to spreading the tax knowledge, maintaining and developing a proper and fair self-assessment system, as well as achieving smooth tax administration.” They pursue various activities such as tax education, tax awareness campaign, conducting seminars on tax and corporate management. With the NTA’s support, they promote “enhancement of corporations tax compliance with a self-check list” and hold “contests for the best picture postcards related to taxes.”



The website of the National General Federation of Corporations Associations

Indirect Tax Associations

Indirect Tax Associations are organized for the purpose of “cooperating in achieving smooth tax administration through acquiring knowledge about indirect taxes and establishing a voluntary self-assessment system.” They pursue various activities such as spreading the tax knowledge on consumption tax, promotion of the program to ensure complete payment of consumption taxes, recruitment of “tax slogans” (supported by the NTA), and making recommendations for improving the tax system and execution.



The website of the National Federation of Indirect Tax Associations

Savings-for-Tax Associations

Savings-for-Tax Associations are organized for the purpose of “ensuring smooth payment of various taxes by means of saving funds for tax payment.” They pursue various activities such as promotion of the program to ensure complete payment by due date, recruitment of “essays on tax” from junior high school students (supported by the NTA), etc.



The website of the National Federation of Savings-for-Tax Associations

Tax Partner Associations

Tax Partner Associations are organized under the jurisdiction of the Tax Offices of the Osaka Regional Taxation Bureau, for the purpose of “spreading the tax knowledge, promoting proper filing of returns, uplifting tax payment morality, and thereby contributing to the development of enterprises and regional societies.” They pursue various highly public activities such as provision of various briefing sessions, promotion of PR activities, and provision of educational opportunities on tax.



The website of the Tax Partner Associations

1 Promotion of proper and fair taxation

~ Strict examination on malicious taxpayers, but brief contact for simple mistakes ~

The NTA analyzes information from various angles and for malicious taxpayers who try to illicitly evade their tax burden, we establish appropriate examination systems, and conduct strict examinations.

In addition, for other taxpayers, the NTA takes care of its administration processes in an effective and efficient manner, such as making brief contact via in writing or by telephone, and balances its allocation of limited human resources.

■ The number of field examinations

(thousand cases)

Operation year \ Tax category	2019	2020	2021
Self-assessment income tax	60	24	31
Corporation tax	76	25	41
Consumption tax	105	36	57
Inheritance tax	11	5	6

■ The additional tax amount of field examinations

(billion yen)

Operation year \ Tax category	2019	2020	2021
Self-assessment income tax	99.2	53.3	80.4
Corporation tax	164.4	120.7	143.8
Consumption tax	100.4	86.2	111.0
Inheritance tax	68.1	48.2	56.0

~ Strengthening the measures for data utilization ~

The NTA is trying to develop a prediction model to extract potentially high-risk taxpayers by extracting, processing, and analyzing necessary information from various data, as well as grasping the consistency, correlation, and tendencies, etc. between the data. Looking forward, we will endeavor to improve the efficiency of taxation operations and sophisticate them, through combining thus-formulated prediction model and the various materials and information held by the organizations of the NTA.

(1) Priority matters addressed in the tax examinations

~ Conduct sufficient examinations for ensuring proper taxation of consumption tax ~

As consumption tax is the largest amount of national tax revenue and attracts the strong attention of the public, proper tax administration is especially necessary.

In particular, as there are cases where fraudulent consumption tax refund was claimed through the filing of false returns, we work to prevent fraudulent refund by instituting sufficient examinations of the facts.

Also, the NTA is working increasingly closer with customs authorities to strictly address the evasion of consumption tax by those who wrongfully traded consumption tax-free goods abusing the system of tax-free shops.

◎ Cases of examinations of consumption tax

- The NTA uncovered a case in which fictitious purchases were registered pretending that an expensive fixed asset was purchased.
- The NTA found that the person had purchased a large volume of consumption tax-free goods in certain tax-free shops, but that the person had not exported the goods thus purchased enjoying wrongful benefits from the exemption of consumption taxes.

～ Examination keeping in mind of increasingly diverse and international asset management ～

The NTA clarifies the actual state of increasing overseas investment and cross-border transactions and conducts in-depth examinations about them by effectively using the information obtained from the records of outward remittances, etc. as well as the information obtained as per the information exchange system based on the tax treaties, etc. with competent foreign authorities (<https://www.nta.go.jp/taxes/shiraberu/kokusai/eoi/index.htm> [in Japanese]) and as per the Common Reporting Standard (CRS) (<https://www.nta.go.jp/taxes/shiraberu/kokusai/crs/index.htm> [in Japanese]).

We properly impose taxes on investment profit generated from diversified and globalized asset management conducted in particular by the affluent class. We also actively conduct examinations to accumulate information for the future proper taxation of inheritance tax.

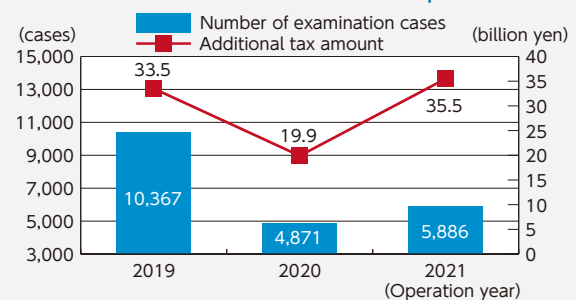
◎ Cases in which the NTA identified overseas assets not reported for Japanese tax purposes or international tax avoidance

- The NTA used the exchange of information based on the tax treaties, etc. and uncovered a case in which a representative had sales proceeds deposited in his/her personal account at an overseas bank and did not properly report sales.
- Triggered by CRS information, we uncovered a fact that the taxpayer had not included an overseas deposit account and an overseas real estate property in the tax return filing for inheritance tax.

～ Identify non-filers by utilizing information ～

Since no tax return filing will cause a strong sense of unfairness to voluntary compliant taxpayers, the NTA precisely identifies non-filers by utilizing relevant material information and actively conducts examinations.

■ Examination results of non-filers (income tax, inheritance tax and corporation tax)



◎ Cases of examinations of non-filers

- For a taxpayer who had earned large profits from video streaming, we grasped a fact that the taxpayer had hid the profits and had not covered them in tax filing.
- In the case of a taxpayer who had earned a large amount of money from “guarantee-paid drinking,” we grasped a fact that the taxpayer had not submitted tax returns of income tax for them despite the requirement to do so.
- We uncovered a fact that the subject heir had withdrawn certain cash from the deceased’s bank account before the death of the deceased and had stored large amount of cash at home, but that tax return filing for the cash had not been done despite that filing for inheritance tax had been required.

～ Precise Action Towards New Fields of Economic Activities including the Sharing Economy¹ ～

As for the response to the economic activities in new areas such as sharing economy, we strive to create an environment that enables adequate filing: for instance, calling on the users (taxpayers) via the industrial organizations, intermediate companies, etc., for proper filing.

In addition, we endeavor to gather relevant information and enhance the analysis, for precisely grasping the taxpayers that might bear certain problems in taxation, to ensure provision of administrative guidance to them or to conduct tax examinations.

For more details of such efforts, please refer to the “Precise Action Taken Towards New Fields of Economic Activities including the Sharing Economy” (https://www.nta.go.jp/information/release/kokuzeicho/2019/sharingueconomy_taiou/index.htm [in Japanese]) uploaded on the NTA website.

¹ New fields of economic activities including the sharing economy¹ is used as a collective term for sharing business and service, transactions of cryptoassets (virtual currency), online advertising (affiliate etc.), digital contents, online shopping and auctions and new other economic transactions.

～ Accurately understanding claims made by taxpayers and executing proper tax administration ～

When conducting tax examinations, the NTA consistently strives to accurately interpret assertions made by the taxpayer and study the laws and regulations based on accurate fact finding to exercise proper taxation. Towards this end, we are thoroughly adhering to the procedures and processes as defined in legal requirements.

(2) Utilizing approaches other than field examinations

～ Promote various contact methods in addition to field examinations ～

To ensure proper and fair taxation within the limited resources, the NTA has been making effort to operate its work effectively and efficiently by employing various measures other than field examinations to ensure that taxpayers voluntarily fulfill their tax duties.

◎ Efforts to ensure voluntary fulfillment of tax obligations by taxpayers

- Initiatives to encourage voluntary review by contacting by documents or telephone, to the person who seemingly has made some calculation error or has applied incorrect tax laws, and who seemingly has failed to file a return based on accumulated information by the NTA
- Initiatives to promote proper declaration by publication through the NTA website on points to pay extra attention to when filing one's tax return

Cooperative approaches

We carry out initiatives to maintain and improve tax compliance through cooperative approaches in order to advocate voluntary efforts towards proper filing by large enterprises.

● Approach to enhance the corporate governance on tax matters

The NTA, taking the opportunities of examination of large enterprises, checks the status of corporate governance on tax matters, exchanges opinions with executive officers, and presents them effective examples of approaches to promote their efforts for the enhancement of corporate governance.

We are striving to maintain and improve the filing level, through increasing the number of corporations that can be expected to do adequate filing voluntarily, by encouraging large companies to enhance the quality of tax matter-related corporate governance.

With this action, the NTA will be able to effectively utilize the limited human resource. From a corporate perspective, we expect the effects of a reduction in risks that tax affairs are inappropriately processed, and a reduction of burdens due to tax examinations.

For more details, please refer to the “Endeavors to enhance tax matter-related corporate governance (for corporations handled by the Large Enterprise Division)” (<https://www.nta.go.jp/taxes/tetsuzuki/shinsei/shinkoku/hojin/sanko/cg.htm> [in Japanese]) on the NTA website.

● Promotion of the “self-inspection of tax returns and self-audit of tax items” at large enterprises

～ Publication of check sheets by Large Enterprise Department of Regional Taxation Bureau ～

The site provides two types of check sheets: “Check sheet for tax returns,” which can be used for a voluntary inspection of tax returns before submission, and “Check sheet for tax items that require special attention at large enterprises.” Details of this activity are available in the “Information concerning (Self-inspection of tax returns and self-audit of tax matters) (for corporations handled by the Large Enterprise Division).” (<https://www.nta.go.jp/taxes/tetsuzuki/shinsei/shinkoku/hojin/sanko/tk.htm> [in Japanese]) of the NTA website.

These sheets can be used for self-audit of, for example, omissions in entering adjustments in settling accounts and in adjustments for taxable income before tax return preparation. We expect the effect of a reduction in risks that processing errors are identified during examination by utilizing these to prevent errors in tax returns.

● Establishment of consultation counter concerning transfer pricing taxation on a trial basis.

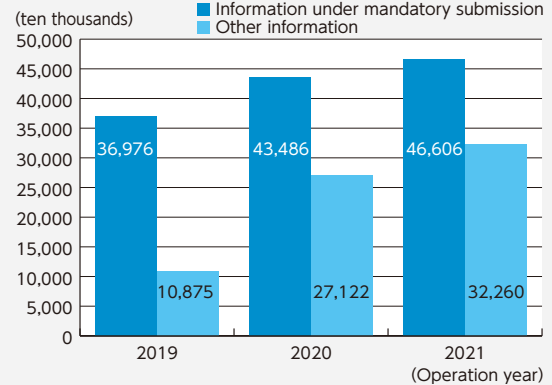
For the purpose of maintaining and improving tax compliance concerning the transfer pricing taxation for large enterprises, we established a “consultation counter concerning the transfer pricing taxation” at each Regional Taxation Bureau on a trial basis. Each counter provides information on general questions regarding the transfer pricing taxation; it also briefs on the thoughts of the tax authority and attention points in relation to application of the transfer pricing taxation, concerning specific consultation on each foreign-related transaction etc. that are subject to the requirement of the transfer pricing documentation.

(3) Data and Information

~ Collect data and information through every opportunity to use such information for accurate guidance as well as tax examinations ~

The NTA, through every occasion, collects a variety of information through the information inquiry procedures and found in the course of tax examinations, in addition to the withholding records of employment income, payment records of dividend, etc. The NTA uses such information for guidance as well as tax examinations.

■ Number of information items collected



(4) Criminal investigation

~ Pursuing criminal responsibility of malicious tax evaders ~

Tax criminal investigation aims to pursue criminal responsibility of malicious tax evaders and to contribute both to realizing proper and fair taxation and to maintaining the self-filling system by taxpayers through the effect of “punishing one serves as a warning to all.”

~ Proactive engagement with cases of high social impacts ~

In FY2022, in view of the purpose of the tax criminal investigation, the NTA focused on and actively engaged with the cases of high social impacts, such as consumption tax cases, non-filing cases, international cases, and cases concerning other social trends.

As a result, in relation to consumption tax, the NTA accused criminals in many cases of illicit tax refunds including a case where; a corporation, that ran a sales outlet of export items, recorded fictitious taxable purchases and fictitious tax-free export sales, disguising as if it had purchased cosmetic products in Japan and sold them to foreign tourists; multiple corporations recorded fictitious taxable purchases of gemstones. In addition, the NTA also accused criminals in the following cases as well: a large-scale international case where fraudulent acts were conducted with a foreign corporation; a case where guidance for fraudulent refund of income taxes was provided to many salary earners using SNS, etc.

■ PR leaflet of the NTA
Criminal Investigations



The NTA proactively engages in PR on taxation and tax collection, through lectures and tax education.

◎ An example of accusation to the prosecutor in FY2022

The NTA made an accusation of a case with a large-scale international fraudulent scheme in which a foreign corporation is used.

The NTA made an accusation of a case where multiple taxpayers evaded corporation or income tax in collusion with one specific supporter for their fraud through the following means: recording fictitious payments of commissions to a foreign corporation whose representative in Japan is the supporter; disguising a domestic transaction of crypto assets as a transaction with a foreign corporation etc. Each of the taxpayers as well as the supporter of the fraud were accused.

■ Status of criminal investigations

	Number of cases conducted	Number of cases closed	Number of cases with accusation filed to the prosecutor	Total amount of tax evasion cases (portion with accusation filed to the prosecutor)	Amount of tax evasion per case (portion with accusation filed to the prosecutor)
FY2021	116 cases	103 cases	75 cases	million yen 10,212 (6,074)	million yen 99 (81)
FY2022	145	139	103	12,760 (10,019)	92 (97)

※ Figures of tax evasion include additional taxes.

■ Rulings in the first trials of criminal investigation cases

	Number of judgements ①	Number of convictions ②	Percentage of cases convicted ②/①	Number of convictions with prison sentences without probation ③	Amount of tax evaded per case ④	Term of prison sentence per person ⑤	Amount of fines per person (company) ⑥
FY2021	cases 117 (5)	cases 117 (5)	% 100.0	persons 5 (3)	million yen 64	months 15.7	million yen 15
FY2022	61 (2)	61 (2)	100.0	3 (1)	47	13.6	12

※1 Figures in the brackets indicate cases combined with non-tax crimes.

※2 ④ to ⑥ exclude those combined with non-tax crimes.

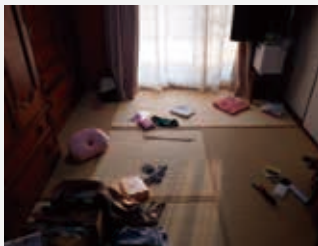
◎ Examples in FY2022 resulted in conviction

Prison sentence given to a repeat offender of tax evasion due to non-filing a tax return on FX transaction income

Prison sentence (1 year and 4 months) was given to a repeat offender of tax evasion in a case, where the offender had hidden the income from FX transactions in other person's name, and evaded payment of income taxes past legal due dates idly without filing tax returns.

An example of hidden properties found during criminal investigations

Cash was found in bags placed under a room floor.



■ Web-TAX-TV: We never miss tax evasions! Missions of national tax investigators



In the program of "Web-TAX-TV" (Internet program released by the NTA), work of national tax investigators, eager to smoke out tax evaders daily, is introduced in the form of a TV drama.

Please watch it for your reference.



【The video is here】

2 Ensuring tax payment

(1) Establishment of voluntary tax payment

~ Approximately 76.2 trillion yen of taxes paid within the fiscal year (98.8% paid within the fiscal year) ~

Self-assessed national tax becomes revenue when paid into the national treasury. In FY2021, about 77.1 trillion yen of taxes (amount determined for collection) were self-assessed in Tax Offices. Of this, about 76.2 trillion yen of taxes (collected amount) were paid into the national treasury within the fiscal year, for a 98.8% collection ratio.

~ Measures to prevent delinquencies ~

To prevent delinquencies, the NTA is proactively conducting publicity on payment deadlines and saving funds for tax payment with the cooperation of relevant private organizations and the Certified Public Tax Accountants' Associations, while providing a diverse means of payment means such as tax payment by account transfer and direct payment.

To ensure payments in a planned manner, the NTA has introduced various payment options, such as transfer tax payments and advance payment utilizing direct payment, while promoting active adoption of these options.

A written notice on payment due date is sent in advance to taxpayers who have paid after due date previously. In case payment due date has passed, we encourage payment before the payment demand letter is sent.

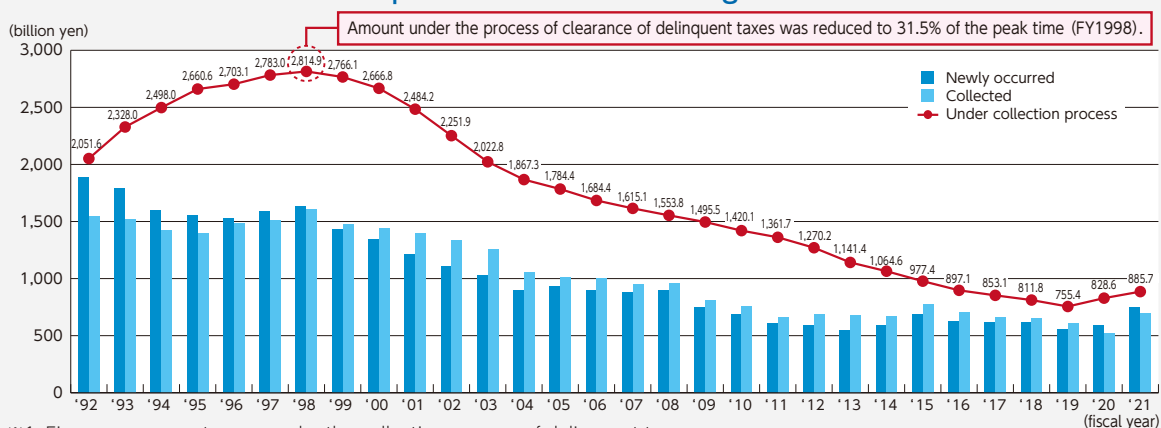
* Delinquency signifies that the national tax was not paid by due date and a payment demand letter was sent.

(2) Efforts to promote reduction of tax delinquency

~ Amount under the process of clearance of delinquent taxes reduced to 31.5% of the peak time ~

At the end of FY2021, the total amount of delinquent taxes was 885.7 billion yen.

■ Trend of collection of delinquent tax, for all tax categories



*1 Figures are current cases under the collection process of delinquent taxes.

*2 Figures for local consumption tax are not included

Amounts under collection process remains high at approximately 900 billion yen.

→ Continue to work on preventing and reducing delinquencies with cooperation of all Tax Bureaus and Offices.

For delinquent national taxes, from the viewpoint of fairness with the great majority of taxpayers who pay within the due date, the NTA is working for early completion, and works to resolve delinquencies under the following basic policy.

~ Appropriate action in collection while considering each delinquent taxpayer's situation ~

In the collection of delinquent taxes, we encourage a voluntary payment and confirm the taxpayer's intention to pay while we will determine the resolution policy after fully understanding the situation of each delinquent taxpayer, such as the condition of its business, assets and balance of income and expenditure.

In particular, should the taxpayer consult with the NTA concerning difficulties it may have in paying in a lump sum, we will consider applying measures to ease conditions of the tax payment, such as grace of tax payment or asset conversion, after listening carefully to the taxpayer's circumstances, and permit payment in installments provided it satisfies the requirements of laws and regulations.

On the other hand, should sincere intentions towards payment of taxes not be recognized, including where repeated defaults of payment commitments are made, the NTA will take disposition for collecting delinquent tax, such as seizure and auctioning off of assets in a timely and appropriate manner.

~ Strict and resolute handling of large and malicious delinquent cases ~

When collecting delinquent tax in a large and notably malicious delinquency case, strict and resolute action is taken, such as search and seizure or collection of delinquent tax through public auctions, exercised in a timely and appropriate manner.

In addition, stricter actions are taken in especially malicious cases with an attempt to hide assets or otherwise evade execution of disposition for delinquent tax¹. This crime of evading disposition for collecting delinquent tax is referred to the prosecutor.

◎ Case examples of accusation filed to the prosecutor in FY2022

- The NTA accused the case in which estate was hidden by the entity through having the funds paid by customers be transferred to deposit account of an employee of the delinquent company.
- The NTA accused the case in which estate was hidden by the entity through a disguise where a business had been started by its common-law spouse and having the trade name of the business (a fictitious name) issue invoices for the trade receivables of the delinquent company to its transaction partners and receive the proceeds thereof.

~ Organizational response to difficult-to-handle cases ~

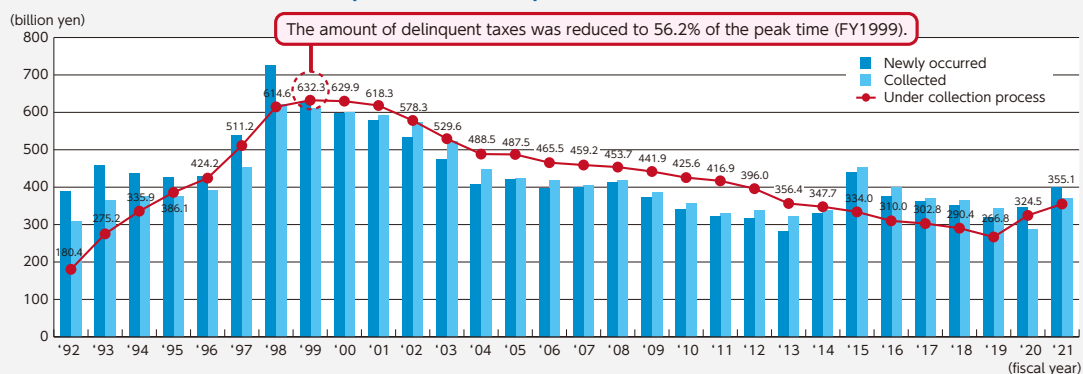
For delinquency processing of difficult-to-handle cases including complicated transactions and disguise of transfer of asset, the NTA secures sufficient resources necessary to solve the case and takes organizational actions such as disposition for delinquent tax by management over a wide geographic area, with timely project team formation.

The NTA also takes legal action, such as a lawsuit to demand the rescission of a fraudulent act² and actively uses legal means to collect delinquent taxes.

~ Certain handling of consumption tax delinquency cases ~

With respect to delinquency of consumption taxes, the NTA is striving to reduce the balance of delinquent consumption tax in a decisive manner such as by making sure that new cases are dealt with swiftly.

■ Trend of collection of delinquent consumption tax



※1 Figures are current cases under the collection process of delinquent taxes.

※2 Figures for local consumption tax are not included.

1 If actions such as hiding of assets are done to evade seizure or other disposition for collecting delinquent tax, up to 3 years in prison or up to a 2.5 million yen fine can be imposed.

2 A lawsuit to demand the rescission of fraudulent act is a lawsuit to negate the validity of a legal act (fraudulent act) regarding assets between the delinquent taxpayer and third party, where such act harms the claimant (country). The lawsuit aims to take back from the third party that asset separated from the delinquent taxpayer, and return it to the delinquent taxpayer.

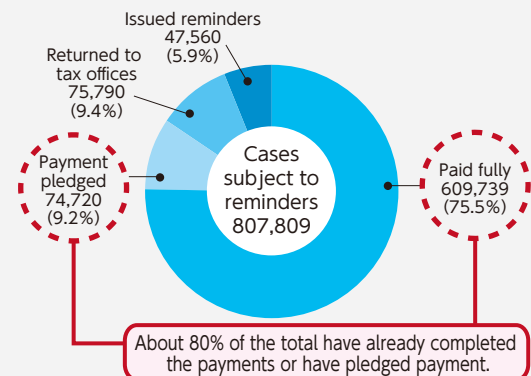
(3) The Office of Tax Collections Call Center

~ Conduct effective and efficient phone notices ~

The Office of Tax Collections Call Center is broadly in charge of new delinquency cases. This office makes system-assisted phone calls as reminders for payment, to ensure effective and efficient collection of delinquent taxes.

Over the year from July 2021 to end of June 30, 2022, The NTA sent demand letters to about 810,000 people, as part of the efforts, of which about 610,000 people (75.5%) have already fully paid and about 70,000 people (9.2%) have pledged payment.

Collection of delinquent taxes by the Office of Tax Collections Call Center



(4) Public auctions

~ Sold about 1,740 items through public auctions ~

Regarding the properties seized as a means of disposition for collecting delinquent tax, the NTA sells them through a bid or in a public auction and the proceeds are appropriated as the collection of delinquent taxes.

During a year between July 2021 and June 2022, 204 public auctions in total were conducted nationwide. As a result, about 1,740 items (real estate properties, cars, jewelry items, etc.) were sold and the total amount of the proceeds was about 4.3 billion yen.

Regarding the list of items to be put subject to a public auction by the Regional Taxation Bureaus throughout Japan and each auction schedule, you can confirm the details in the section of “Public auction notices” (<https://www.koubai.nta.go.jp/> [in Japanese]) on the NTA website.

Examples of properties that were sold through public auction between July 2021 and June 2022



(5) Accurate and efficient management of claims and liabilities

～ Prompt process realized by advanced use of systems ～

Tax Offices use systems so that the management operation for the national tax claims and liabilities, that arise from tax return filings and refund filings in huge volume, can be processed accurately and efficiently.

There are about 43.03 million tax payment cases each year. To efficiently process this amount of payments, the NTA is using optical character recognition (OCR)¹ for processing tax payment slips at the Bank of Japan, and adopted online tax payment, direct payment, and others in addition to transfer tax payment for income tax and sole proprietors' consumption tax. The NTA is also pursuing efficient and speedy refunds by adopting online transfer procedures.

3 Response to fraudulent refund of consumption tax

(1) Background

～ To protect the trust in the consumption tax system ～

Among the national tax categories, consumption tax is the largest tax category in the amount of revenues.

Many taxpayers are filing tax returns and paying taxes correctly. On the other hand, there arise fraudulent cases to receive refund of consumption taxes one after another, through abusing the consumption tax system in that false contents are filed for fictitious transactions. Such fraudulent refund cases of consumption tax may severely damage the trust by taxpayers in the consumption tax system, so we are responding to them as one of the priority issues.

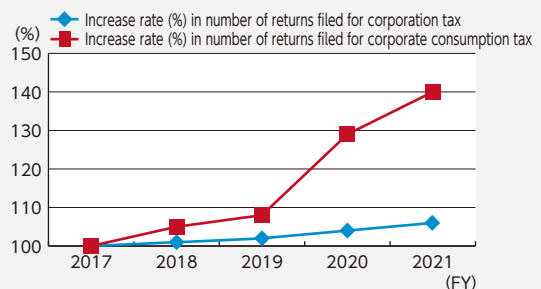
(2) Status quo of fraudulent refund of consumption tax

① Transition in number of tax returns

～ Number of returns for refunds of consumption tax shows an increasing trend ～

Number of returns for refunds of consumption tax filed by corporations keeps showing a large increase trend, much larger in the increase pace vs. that for corporation tax.

■ Increase rate in number of returns filed for corporation tax and corporate consumption tax (FY2017=100%)



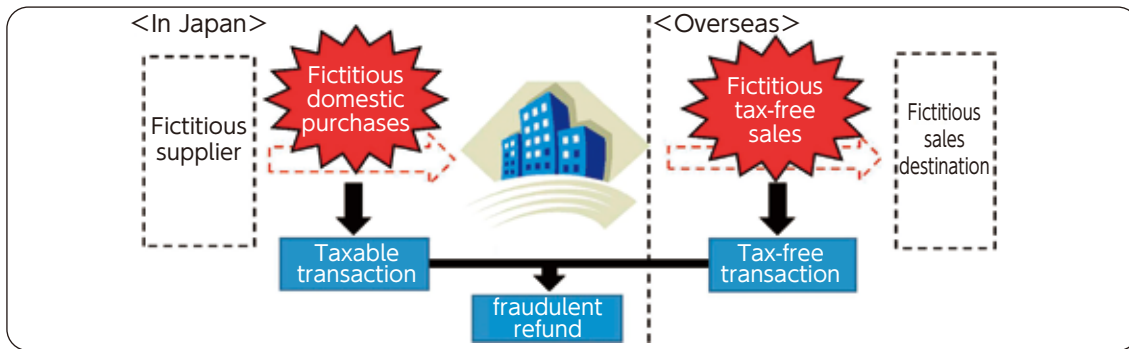
② Representative methods of fraudulent refund of consumption tax

～ There are various fraud methods ～

a. Cases where fictitious domestic purchases and fictitious export sales are recorded

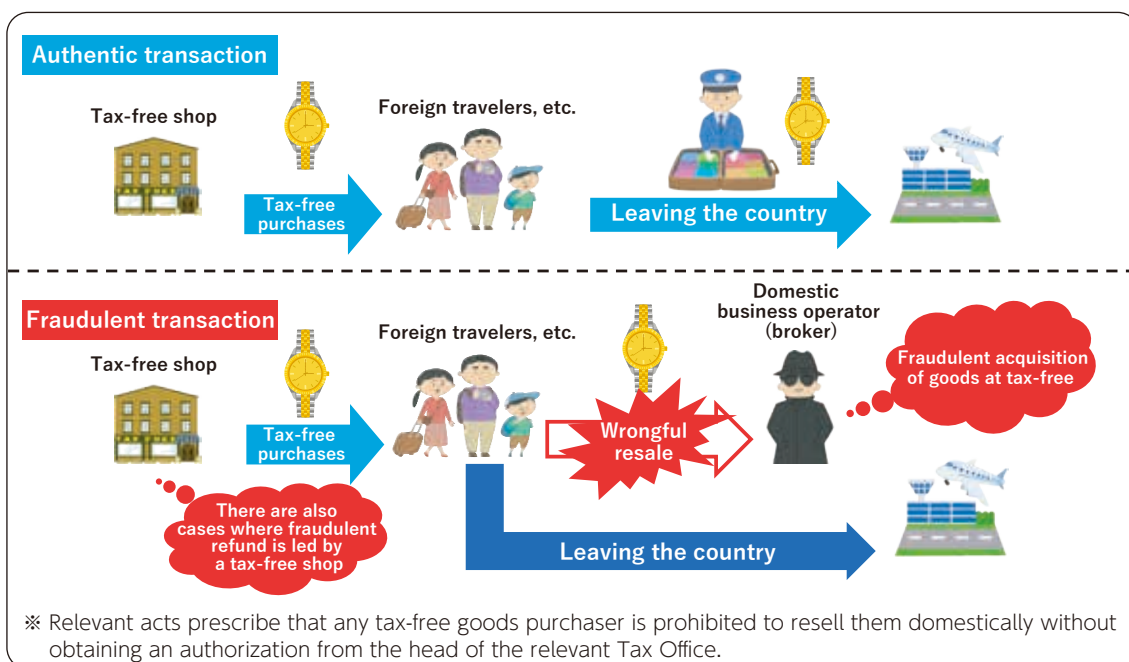
When a business operator trades goods in Japan, consumption taxes are imposed on them (taxable transactions); whereas when goods are sold to overseas buyers (exported), consumption taxes are waived (tax-free transactions). A business operator deducts the amount of consumption taxes on purchases from that on sales when filing a final return; if the calculation result is a negative amount, the amount can be refunded. From time to time, we capture cases where abusing this system, refund is fraudulently applied through a disguise of purchasing goods in Japan and exporting them overseas.

¹ OCR processing (optical character recognition processing) converts the characters written on a tax payment slip into electronic data. This electronic data is communicated between the Bank of Japan and the NTA, providing more efficient information transfer and paperless processing.



b. Cases where goods purchased at tax-free shops were resold in Japan

Tax-free shops may sell goods waiving consumption taxes to certain foreign travelers, etc. (eligible tax-free goods purchasers) by applying certain procedures, just like the cases of goods exports (export merchandise shop system). To apply the system correctly, the foreign travelers, etc. must bring the goods purchased at tax-free prices outside the country. However, in recent years, from time to time, following malicious cases have been captured: fraudulent profits-earning cases where massive tax-free goods are purchased for a large amount, and they are resold domestically instead of being brought outside the country, under the instruction of a domestic business operator (broker), etc.; similar-structure cases but under the lead by a tax-free shop, etc.



(3) Our initiatives against fraudulent refund of consumption tax

~ Never miss fraudulent filing returns for refund ~

To curb fraudulent refund of consumption tax, it is important not to miss any suspicious application and not to leave any malicious taxpayer intact.

To enable proper responses to any case of abusing the consumption tax system, for each of the stages from tax declaration to administrative guidance and investigations to collection, we are striving to take the following measures in collaboration with relevant departments throughout the organization:

- ① implement stricter assessment for refund returns;
- ② proactively conduct examinations with an eye on malicious methods etc. (case analysis, data usage, etc.);
- ③ enhance the organizational structure (install a dedicated dept, expand existing dept, etc.);
- ④ pursue prevention measures through PR activities, etc.

① Enhancing the assessment for refund returns

Refund returns for consumption tax include not only fraudulent refund, as specified above, but also those resulting from erroneous application of relevant acts. Therefore, when a confirmation step is necessary referencing various information, we endeavor to confirm the causes of each refund return or the tax amount for return through asking for submission of needed documents or conducting onsite examinations, while suspending the payment of refund for a while. As a result, we will ensure a proper remedy if there was an error in refund amount. On the contrary, if judged that there is no error in the application contents, we will make a refund promptly.

② Enhancing the onsite examinations

Methods of fraudulent refund have always evolved over time. We firstly secure necessary human resources, for gathering various documents (information contained in digitalized purchase records¹, etc.) and analyzing them, and clearly view the target scope, to ensure the implementation of strict examinations. As a result, we conducted about 4,300 onsite examinations targeting the corporations that had applied for refunds of consumption tax, in the period between July 2021 and June 2022; and we secured additional tax collection of about 37.2 billion yen.

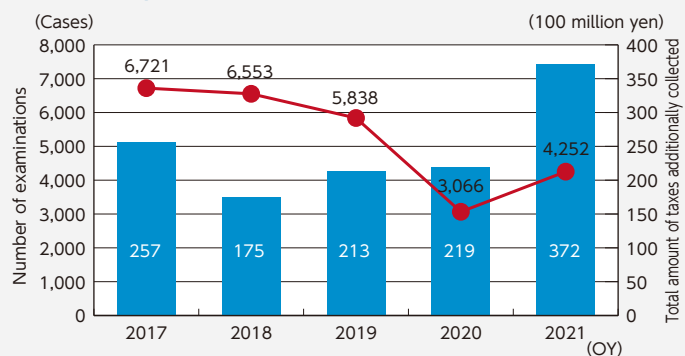
In addition, during the same period, we conducted 30 onsite examinations targeting foreign travelers, etc. who had abused the export merchandise shop system; the efforts resulted in additional tax collection of about 1.2 billion yen in total.

Also, regarding particularly malicious criminals of fraudulent refund, the NTA conduct criminal investigations against them and accuse them to the prosecutor for severely pursuing their criminal responsibilities. During the period between April 2022 and March 2023, the NTA accused criminals in 16 fraud request cases for refund (amount received as refund or to be received as refund totaled 1,347 million yen), for example there was:

- a case where a corporation, that runs an export merchandise shop, recorded fictitious taxable purchases and fictitious tax-free export sales, using a disguise of purchasing cosmetic products in Japan and selling them to foreign tourists: also there was a case where multiple corporations used a disguise of purchasing power stones to record fictitious taxable purchases.

It is notable that the criminal of fraudulent refund, to whom the first-trial sentence was given between April 2022 and March 2023, were all guilty. The severest penalty among them was a prison sentence of 2 years and 6 months (5 years of probation).

■ Status of consumption tax examinations carried out against corporations that received refunds of consumption tax



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■ Fraudulent refund cases of consumption tax: The number of the accused and the total amount received fraudulently

FY	2018	2019	2020	2021	2022
Number of cases accused (cases)	16	11	9	9	16
Amount of fraudulent refund received (million yen)	1,909	323	384	434	1,347

※1 The number of cases accused includes the cases where tax evasion was also committed.

※2 The total amount received fraudulently excludes additional taxes and includes refund cases where refund is yet to be received.

¹ Records on purchase slips of export merchandise shops were created on paper previously. Procedures for creating such purchase slip records were revised; the new procedures require creation of digital data for purchase slip records to be sent to the NTA. (Application of the new procedures started with the tax-free sales on April 1, 2020; and the procedures were fully digitalized effective on October 1, 2021.)

③ Enhancing the organizational structure

To properly respond to fraudulent refund cases of consumption tax, we are proactively implementing examinations while newly installing functions and increasing headcount dedicated to consumption tax examinations, such as Chief National Tax Examiners for Regional Taxation Bureaus and consumption tax specialists for Tax Offices, etc. Also, we are endeavoring to strengthen the examination capabilities of the whole the NTA organization through enabling collaborative consumption tax examinations between general staff of Tax Offices and the specialists with expertise and know-how (such as Chief National Tax Examiners of Regional Taxation Bureaus and consumption tax specialists of Tax Offices).

■ Web-TAX-TV: Never forgive fraudulent refund!



In the program of “Web-TAX-TV” (Internet program released by the NTA), national tax examiners, who felt suspicious about the contents of one fraudulent refund of consumption tax, started an examination and it ended up with clarification of the fraud structure; the whole course is dramatized and aired in an easy-to-understand manner. Please look at it.



【The video is here】

4 Addressing international transactions

(1) Background

～ Increase of public interest in international tax avoidance cases ～

Year after year, the economy has been getting more globalized with an increase in overseas investment by individual investors and overseas transactions conducted by corporations. Under such circumstances, public interest has been significantly increasing on international tax avoidance cases. Those include hiding assets overseas by the affluent class and corporations that conduct overseas transactions and reducing tax burden using the differences in tax systems between jurisdictions.

In sufficient consideration of this situation, the NTA considers that achieving proper and fair taxation will lead to securing trust from taxpayers.

(2) Actions against international tax avoidance

～ Active engagement with international tax avoidance cases ～

To appropriately respond to international tax avoidance by the individual investors doing overseas investments and the companies doing overseas transactions, the NTA is proactively conducting examinations, etc., while promoting the following: (1) enhancement of information resources (strengthening of information collection and utilization); (2) enhancement of human resources for examination (improvement and expansion of the execution system); and (3) strengthening of global networks (including collaboration with foreign tax authorities).

① Enhancement of information resources (reinforcement of information collection and utilization)

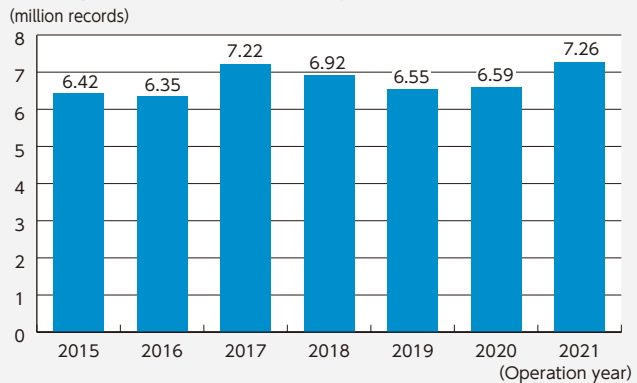
～ Detect precisely cross-border transactions and domestic and foreign assets ～

The NTA adopts the following systems to precisely detect overseas transactions and assets within and outside of Japan, while comprehensively analyzing collected or given information and others to deal with cases of international tax avoidance adequately, for the purpose of detecting the income flows from cross-border economic activities and realizing appropriate and fair taxation.

a. Records of remittances and receipts related to foreign countries

Records of remittances and receipts related to foreign countries are reports to be submitted to Tax Offices by financial institutions that conduct outward and inward overseas remittances over 1 million yen. The record states the name and address of the sender and receiver of funds, remittance amount, etc.

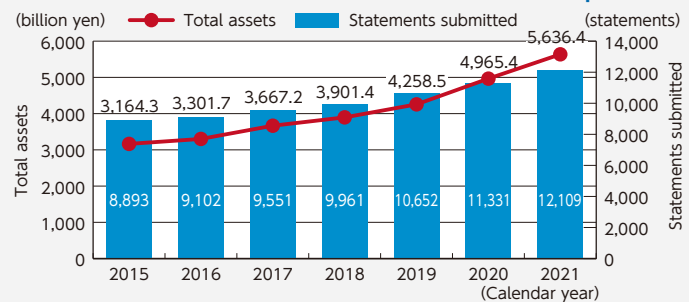
■ The number of Records of remittances and receipts related to foreign countries submitted



b. Foreign asset statements

Those who have foreign assets totaling over 50 million yen as of December 31 in the year are to submit a statement describing the types and values of the foreign assets, etc. by June 30 (it was “by March 15” for the statements for 2022 or earlier) of the following year to Tax Office.

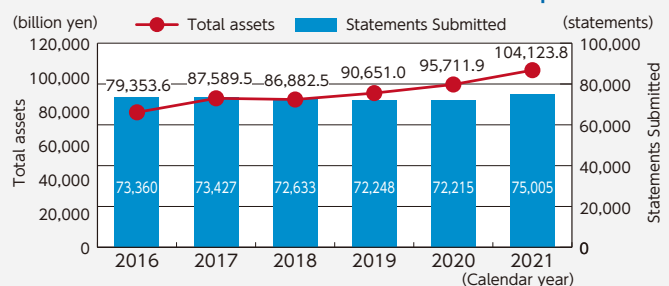
■ The number of foreign asset statements submitted and total amount of assets reported



c. Statements of assets and liabilities

(1) Those who earn an income of over 20 million yen in the year, and hold assets totaling 300 million yen or more or securities, etc. totaling 100 million yen or more as of December 31 in the year, or (2) those who hold assets totaling 1 billion yen or more (this was added to the target scope starting with the statements for 2023) are to submit a statement describing the types and values of the assets, the amount of debt, etc. by June 30 (it was “by March 15” for the statements for 2022 or earlier) of the following year to Tax Office.

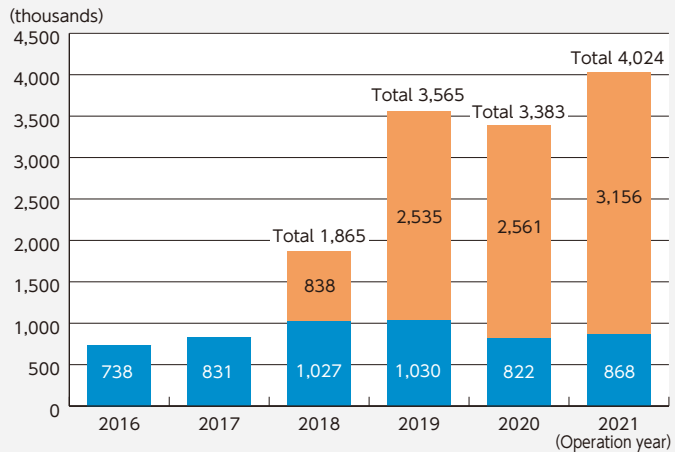
■ The number of statements of assets and liabilities submitted and total amount of assets reported



d. Exchange of information under tax treaties, etc.

Regarding the cross-border transactions, the NTA acquires the necessary information for proper and fair taxation and tax collection from other jurisdictions through implementing information exchange with foreign tax authorities under bilateral tax treaties and the Convention on Mutual Administrative Assistance in Tax Matters, etc. (as of May 2023, Japan has 84 tax treaties, etc.¹ in force, which cover 153 jurisdictions).

■ Trend in number of information exchange



※ Number of information exchange represents the total of provisions and receipts in each operation year.
 Orange color portion: Number of information exchange cases on financial account information of non-residents by CRS and on CbC report.
 Blue color portion: Number of information exchange on request, spontaneous and automatic (for statutory records).

e. Automatic Exchange of Financial Account Information of non-residents based on the Common Reporting Standard (CRS)

To address international tax evasion and avoidance performed through foreign financial institutions, the OECD formulated the Common Reporting Standard (CRS) which is the international standard for regularly exchanging financial account information of non-residents (name, address, account balance, etc.) with the tax authorities of other jurisdictions.

Japan also exchanges relevant information with other foreign tax authorities based on this framework. The NTA uses the information received to detect and identify financial assets located overseas and income generated through those assets, and cross-border transactions with taxation issues after paying attention to changes in asset balances and analyzing the information together with other documents and information, such as records of remittances and receipts related to foreign countries and foreign asset reports.

■ Table: Automatic Exchange of Information concerning financial accounts of non-residents under the CRS

	Receipt				Provision			
	July 2020~June 2021		July 2021~June 2022		July 2020~June 2021		July 2021~June 2022	
	Number of jurisdictions	Number of accounts	Number of jurisdictions	Number of accounts	Number of jurisdictions	Number of accounts	Number of jurisdictions	Number of accounts
Asia and Pacific	16	1,473,200	17	1,644,896	12	529,864	12	536,650
North America and Central & South America	19	117,291	20	216,480	13	43,354	16	40,744
EU and NIS Countries	40	313,587	43	325,978	39	73,074	42	67,976
Middle East and Africa	12	2,818	14	313,310	6	4,266	7	6,424
Total	87	1,906,896	94	2,500,664	70	650,558	77	651,794

¹ The term "Tax Treaties, etc." refers to tax treaties, information exchange agreements, the Convention on Mutual Administrative Assistance in Tax Matters and the private-sector arrangement with Taiwan.

◎ Effective use cases of the CRS information

- Based on CRS information, the NTA detected the fact of failure in including officer compensation received from a foreign corporation as well as dividend income earned from asset management using the said officer compensation as the base fund in the tax return of the subject taxpayer.
- Based on CRS information, the NTA detected the existence of an overseas deposit account in the name of the ancestor as well as the fact of failure in including the balance of the deposit account and overseas real estate properties newly found in our examination in the tax return of the subject taxpayer.
- Based on CRS information, the NTA detected the fact that a significant amount of balance remained in a deposit account located overseas under the name of the corporate representative and revealed the fact that earned commission was being excluded from the corporate income deliberately by collecting that commission through the representative's individual account.

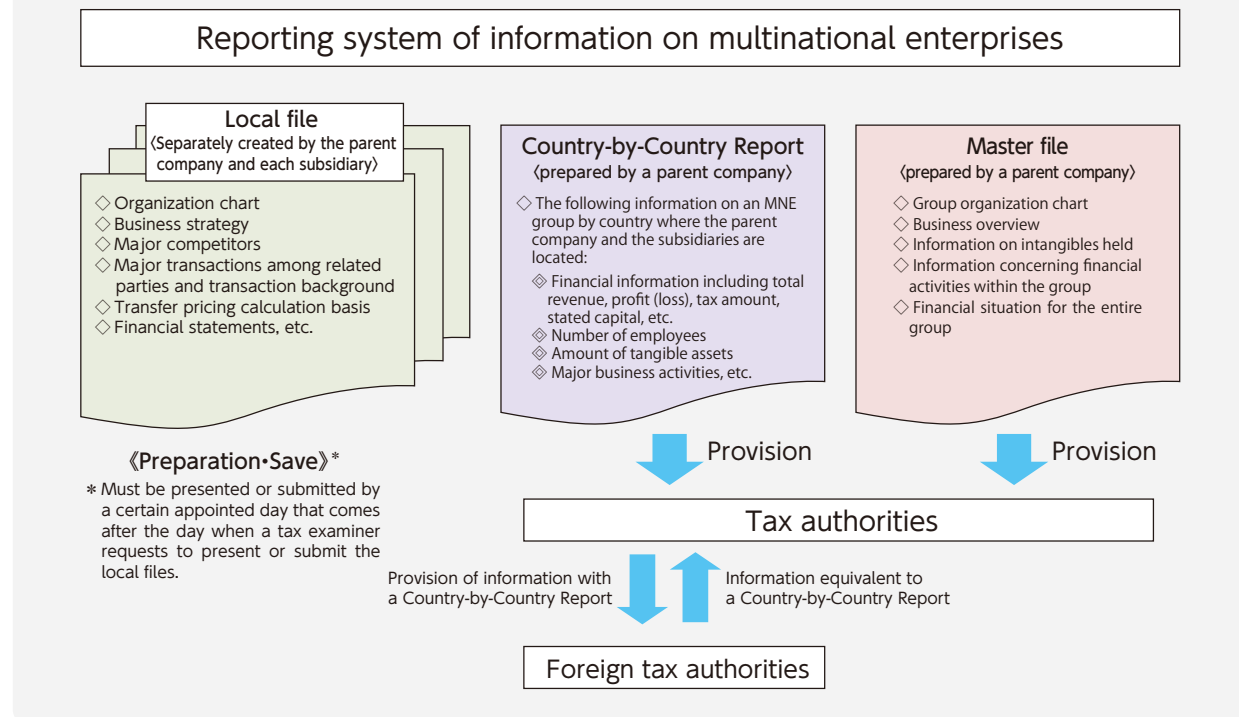
f. Reporting system of information on multinational enterprises

For the purpose of understanding the global activities and the actual situation of tax payment by multinational enterprises (MNEs), certain corporations are obligated to provide (or prepare and save) the following information to the relevant Tax Office: (1) Country-by-Country Report [CbCR], (2) Master File, and (3) Local File¹.

The ultimate parent entity of any MNE group over a certain size is obligated to provide CbCR to the tax authority of its resident jurisdiction in Japan. In year 2021, the NTA received information on 2,246 groups from the tax authorities of 53 jurisdictions and provided information on 901 groups to the tax authorities of 60 jurisdictions.

The NTA is effectively using such information in the process of assessing the transfer pricing risk and tax avoidance risk among MNEs.

■ Conceptual diagram of a reporting system of information on multinational enterprises



¹ The ultimate parent entity of an MNE group that earns a total revenue of 100 billion yen or more in the preceding fiscal year of the ultimate parent entity is required to submit a CbCR and a master file via e-Tax no later than 12 months after the last day of the fiscal year of the ultimate parent entity (this applies to the fiscal year of the ultimate parent entity that begins on or after April 1, 2016).

② Enhancement of human resources for examination (establishment and expansion of a system for implementation areas)

~ Establishment of dedicated divisions and project teams ~

To deal with international tax avoidance, the NTA ensures that a dedicated section be established within the Regional Taxation Bureaus and the Tax Offices.

In addition, particularly regarding the taxpayers who are recognized to hold of assets a large amount among the affluent class people, the NTA sets a project team targeting priority affluent taxpayers in each Regional Taxation Bureau across the country, which collects and analyzes various kind of information by managing the target taxpayers together with the related people and the related companies.

③ Reinforcement of global networks (cooperation with foreign tax authorities)

~ Enhance cooperation with the foreign tax authorities ~

With cross-border economic activities being more active, it is essential to cooperate with the foreign tax authorities to ensure proper and fair taxation. The NTA has been striving to enhance cooperation with foreign tax authorities.

a. Participation in global frameworks

(a) Development and implementation of international agreements

The BEPS Project was initiated by the OECD to address tax avoidance by MNEs exploiting gaps and mismatches in tax rules. Working together with the G20 members that are non-OECD countries, the final report was publicized in October 2015.

It provides 15 Actions that equip governments with the domestic and international instruments needed to review the overall international tax rules, address international tax avoidance by MNEs and increase the transparency of each jurisdiction's tax system and MNEs' business activities. The NTA has been proactively engaged in implementing those Actions appropriately. For detailed information on each Action, please refer to the section titled "BEPS Project" on the NTA website (<https://www.nta.go.jp/taxes/shiraberu/kokusai/beps/index.htm> [in Japanese]).

(b) Participation in the OECD and other international efforts

The Actions in the final BEPS report need to be implemented not only in the OECD member countries but also in many other countries and regions including emerging and developing countries. Thus, "Inclusive Framework on BEPS" has been established. As of May 2023, 142 jurisdictions including Japan are participating in this framework, and the member jurisdictions are conducting mutual assessment about the implementation status of the recommended actions and discussing possible revisions of the recommendations. In addition, as one of the latest subjects, the members are discussing the Two-Pillar solution to Address the Tax Challenges Arising from the Digitalization of the Economy (that is, establishing a taxing right for market jurisdictions under Pillar One and the global minimum tax under Pillar Two), and model rules and administrative guidance for introducing global minimum tax in each country were agreed and publicized. In Japan, Income Inclusion Rule of the global minimum tax was legislated in the FY2023 tax reform.

Regarding exchange of information under tax treaties etc., the legal framework and the implementation in each jurisdiction are mutually assessed at the "Global Forum on Transparency and Exchange of information for Tax Purposes" in which 168 jurisdictions participated as of May 2023.

Moreover, at the "Joint International Taskforce on Shared Intelligence and Collaboration (JITSIC)" of the "OECD Forum on Tax Administration," members are taking part in activities with the objective to share information among member countries, and to work together on common challenges, such as international tax avoidance.

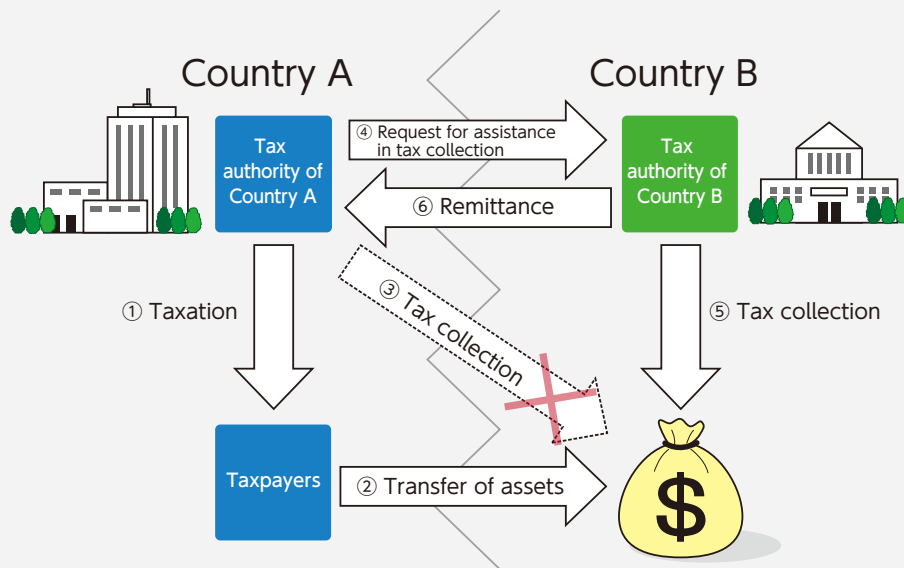
The NTA is actively participating in these activities and discussions.

b. Utilization of a mutual tax collection assistance system

A country's tax authority cannot exercise its public authorities outside the country's territory for the purpose of tax collection. For this reason, in order to deal properly with international tax collection evasion through transfer of assets overseas, a framework of "mutual assistance in tax collection" which enables each country's tax authority to mutually collect tax claims of treaty partners is adopted in tax treaties.

The NTA promotes international tax collection by actively utilizing the mutual assistance system for tax collection under treaties such as the Multilateral Convention on Mutual Administrative Assistance in Tax Matters¹.

■ Framework of mutual assistance in tax collection



■ Web-TAX-TV "Chase overseas assets! Efforts for International Collection"



The NTA's Internet program, "Web-TAX-TV," (<https://www.nta.go.jp/publication/webtaxtv/work.html> [in Japanese]) is a drama movie about revenue officers' work. In the movie, they conduct tax collection using the mutual assistance system for tax collection based on tax treaties for a malicious tax delinquency case where a delinquent taxpayer transfers assets to overseas and tries to avoid tax payment. Please look at it.



[Refer to a video here.]

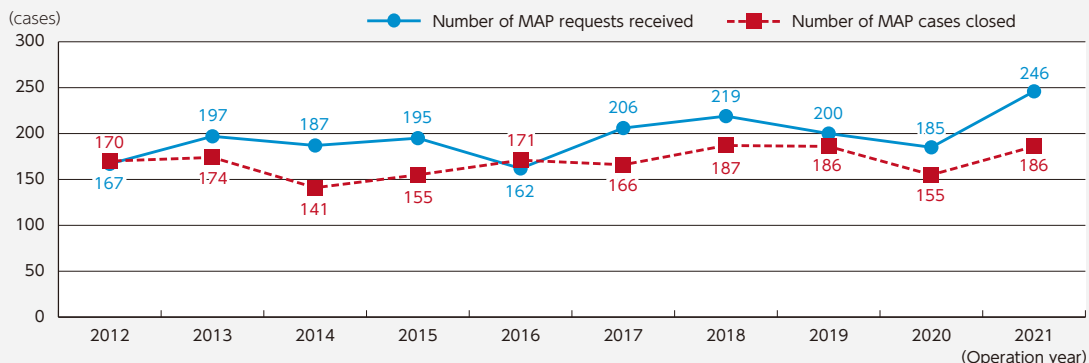
¹ It is a multilateral convention on mutual assistance for the exchange of tax-related information, tax collection and service of documents and has become effective in 141 jurisdictions including Japan (as of June 1, 2023).

c. Mutual Agreement Procedure (MAP)

When a taxpayer makes a request regarding international double taxation arises from transfer pricing adjustments or others, the NTA enters into Mutual Agreement Procedure (MAP)¹ with relevant foreign tax authorities based on the provisions of applicable tax treaties to resolve such double taxation. In addition, the NTA enters into MAP for Advance Pricing Arrangement (APA)² in view of the predictability for taxpayers and the proper and smooth administration of the transfer pricing taxation³.

The NTA makes every effort to resolve the MAP cases appropriately and promptly. Specifically, we have been ensuring adequate number of staff and establishing cooperative relationships with relevant foreign tax authorities for swift and smooth MAP negotiations⁴.

■ Number of MAP requests received and MAP cases closed

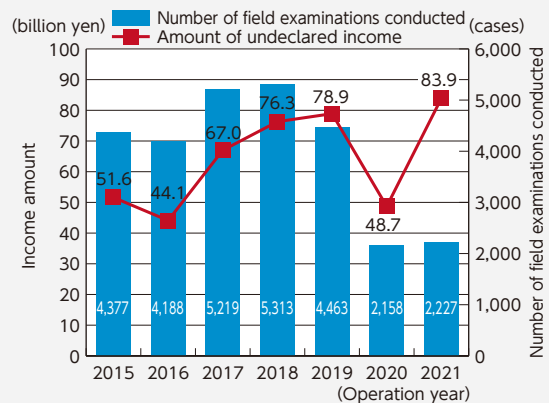


(3) Actions against the affluent class and corporations that conduct cross-border transactions

~ Actively conducting examinations the affluent class and corporations conducting cross-border transactions ~

The NTA has set actions against affluent class and corporations conducting cross-border transactions as a priority issue, and by pressing forward with the above initiatives, has been actively conducting examinations with the objective to properly deal with concealment of assets overseas and with acts of international tax evasion.

■ Actual number of income tax examinations carried out against the affluent class



◎ Example cases of examinations on the affluent class and the enterprises engaged in cross-border transactions

- In the information obtained as assisted by the information exchange provision on the tax treaty, etc., the NTA grasped that the entity had not included interest income received from overseas financial institutions, etc. in tax declaration and the entity should have been applied the CFC taxation system regarding the overseas corporation it holds.
- By confirming the actual status of the foreign subsidiary located in country/region where the corporate tax burden is light from the local registry information, etc., the NTA grasped the fact that the CFC taxation system should have been applied.

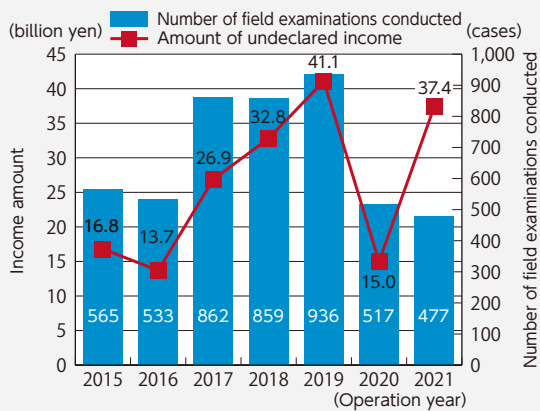
1 "Mutual Agreement Procedure (MAP)" is a formalized set of procedure between tax authorities of treaty partners which are provided in tax treaties. The NTA enters into MAP upon the taxpayers request where taxpayers consider that international double taxation arise or will arise from transfer pricing adjustments or others.

2 "APA" means the advance confirmation by a tax authority on taxpayer's method for calculating the arm's length price.

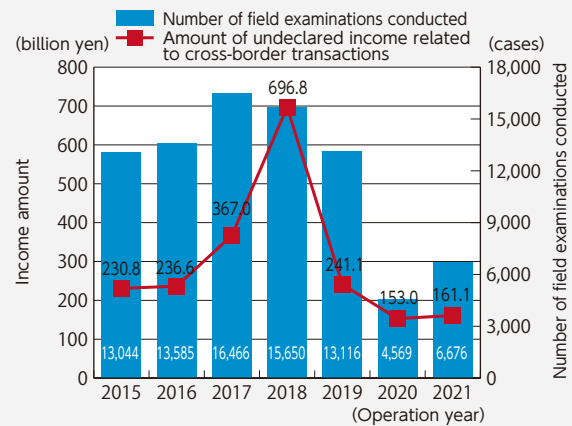
3 An adjustment of an enterprise's income based on the transaction price between third parties (referred to as "arm's length price") when such enterprise engages in a transaction with a related enterprise abroad, and the income of such enterprise is diminished due to the fact that the transaction price is different from an "arm's length price."

4 During operation year 2021, we had 53 MAP meetings totaling 155 days.

Actual number of income tax examinations carried out against the affluent class related to cross-border transactions



Actual examination of corporation tax related to cross-border transactions



~ Defining conditions for application of transfer pricing taxation ~

As company activities become increasingly globalized, more transactions are becoming subject to the transfer pricing taxation, and the details of the transactions are becoming more complex. To increase predictability for taxpayers, the NTA has announced its administration policy on the operations and its application requirements, by updating directive on the interpretation of laws and administrative guidelines relating to the transfer pricing taxation. In case of the Advance Pricing Arrangement (APA), the NTA has been providing an environment where taxpayers can smoothly apply for this APA, such as engaging in consultations prior to accepting requests for APA.

5 Cooperation with foreign tax authorities

(1) Technical cooperation for developing countries

~ Technical cooperation for developing countries with a focus on Asia ~

Under the framework of technical cooperation by the Official Development Assistance (ODA), the NTA is actively providing technical cooperation to developing countries, focusing on Asian countries. The aims are to improve tax administration of developing countries and foster understanding Japan's tax administration. In FY2021, since it was difficult to invite trainees from foreign countries and to dispatch lecturers to overseas due to the Covid-19 pandemic just like in the previous fiscal year, we made efforts to hold as many trainings as possible, using online systems, etc.



Practicum at the NTA

Overview of technical cooperation

1 Dispatch of officials to developing countries

Based on the requests received from developing countries' tax authorities, the NTA dispatches its officials for trainings held in those countries. In FY2022, we gave lectures through dispatching our officials to the tax authorities of Indonesia, the Philippines, and Vietnam.

Moreover, with a view to giving continuous advice on tax administration to developing countries, the NTA also dispatches its officials as long-term experts of Japan International Cooperation Agency (JICA). In FY2022, they worked in Lao PDR, the Philippines, and Vietnam.

2 Trainings conducted in Japan

(1) International Seminar on Taxation (ISTAX)

This is the seminar for tax officials from several developing countries, and gives lectures on Japan's tax system and tax administration. It has two courses: "General" for mid-career officials, and "Advanced" for upper management-level officials.

(2) Country-Focused Training Courses

The courses target tax officials from a certain developing country, and give lectures based on its requests.

(3) International Taxation for Asian Countries

This course targets tax officials from Asian developing countries and gives lectures on "international taxation."

(4) Practicum at the NTA

This course targets tax officials from developing countries who are studying at Japanese graduate schools (master's courses) on a scholarship from the World Bank, etc., and gives lectures on Japan's tax system and tax administration. In FY2022, six students in total, enrolling in graduate schools of National Graduate Institute of Policy Studies, Hitotsubashi University, and Meiji University, participated in this course.

■ Status of trainings conducted in Japan

(number of countries, people)

		2018	2019	2020	2021	2022
International Seminar on Taxation (ISTAX) (General)	Countries	14	16	—	14	3
	Participants	14	16	—	14	3
International Seminar on Taxation (ISTAX) (Advanced)	Countries	9	11	—	10	5
	Participants	9	11	—	10	5
Country-Focused Training Courses	Countries	6	3	1	2	4
	Participants	86	32	15	136	355
International Taxation for Asian Countries	Countries	5	7	—	6	4
	Participants	7	7	—	11	6
Practicum at the NTA	Countries	11	12	7	8	5
	Participants	17	15	9	9	6

※ Includes the number of online courses from FY2020 onward.

(2) Other technical assistance

~ OECD Asia-Pacific Academy for Tax and Financial Crime Investigation ~

OECD Asia-Pacific Academy for Tax and Financial Crime Investigation, which the NTA holds in collaboration with OECD, is the training program regarding investigation techniques on tax crimes, money laundering, and international cooperation, etc.

Since the first program at Wako Campus of the National Tax College in May 2019, we held 11 programs in total including those held online as of the end of FY2022.

(3) Cooperation among countries for tackling the challenges in tax administrations

In order to cooperate and share experiences with foreign tax authorities, the NTA actively participates in international conferences including the OECD Forum on Tax Administration and the Study Group on Asian Tax Administration and Research.

a. The OECD Forum on Tax Administration (FTA)

The FTA is a forum for Commissioners from 38 OECD and 14 non-OECD countries (as of May 2023) to share their knowledges and experiences in a wide range of fields in tax administration. The 15th Plenary Meeting was held in Sydney (Australia) in September 2022, where the commissioners exchanged their opinions on the issues in implementation of the new international taxation agreement, the continuous efforts toward digitalization of the tax administrations.

b. Study Group on Asia-Pacific Tax Administration and Research (SGATAR)

SGATAR is comprised of tax authorities of 18 countries and regions in Asia-Pacific. This is a forum for discussions on cooperation and sharing of knowledge in the region.

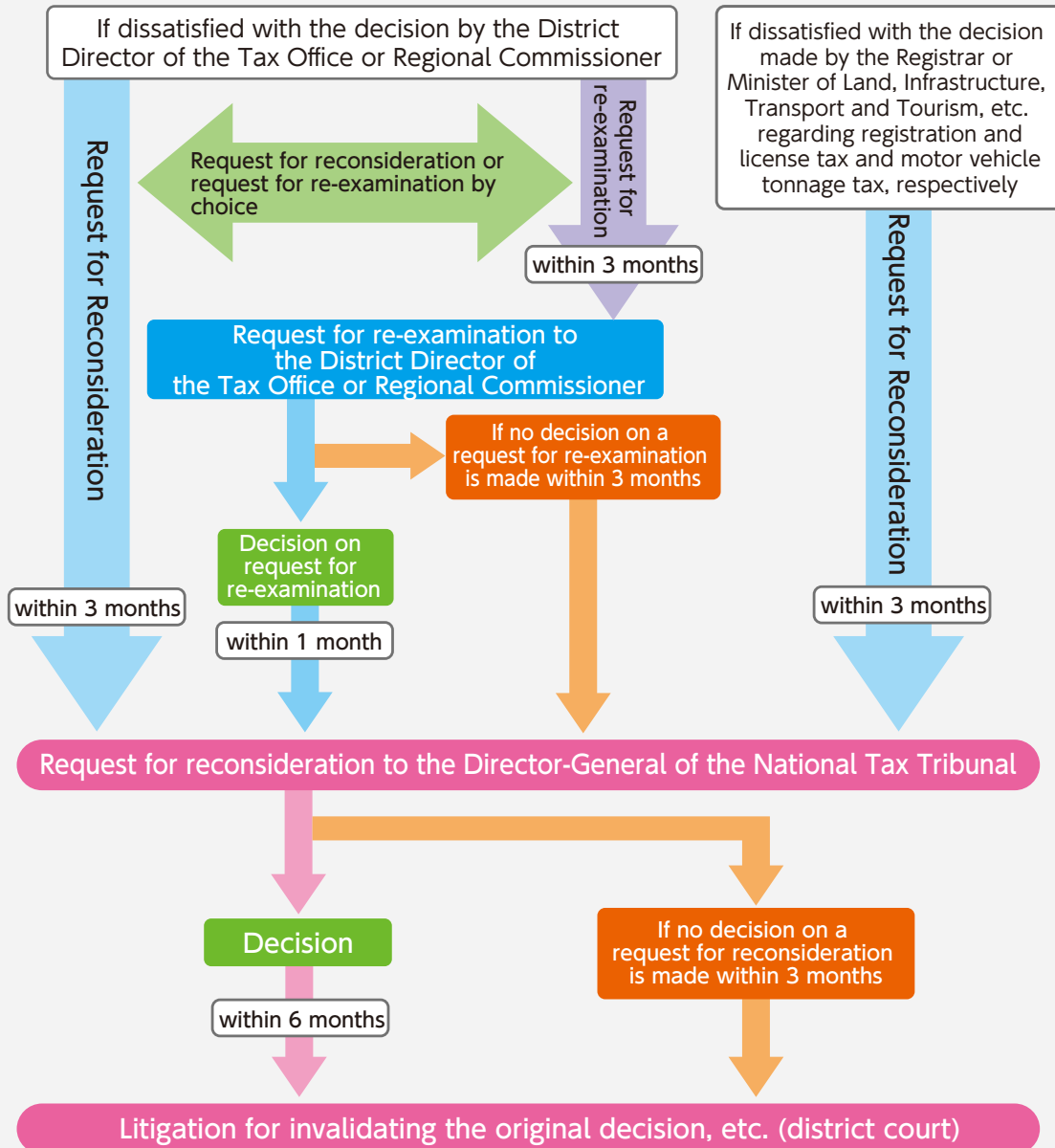
In October 2022, the 51st SGATAR meeting was held in Kuala Lumpur, Malaysia, with the discussion about efforts to address new challenges in tax administration with focus on human resources and organizational structure, and improvement of voluntary compliance, etc.

~ The request for review system for national tax ~

When a taxpayer is dissatisfied with the action taken by the District Director of the Tax Office for taxation and delinquent tax, the said taxpayer may file a request for a review, for example to cancel that disposition. This system of request for review is a procedure to simply and quickly protect taxpayer rights and interests. In principle, a taxpayer who objects to a disposition shall first file a request for review before bringing a lawsuit in court “the principle of petition after administrative protest”.

A request for review can be a request for re-examination to the District Director of the Tax Office, etc., or a request for reconsideration to the Director-General of the National Tax Tribunal, and a taxpayer can choose either of these. When a taxpayer chooses a request for re-examination but is still dissatisfied with the disposition determined for the request for re-examination, the taxpayer may file a request for reconsideration.

Overview of the request for review system for national tax



(1) Request for re-examination

~ Simplified, prompt and fair remedies for taxpayer rights ~

A request for re-examination is intended for review by the District Director of the Tax Office of its own disposition. And it aims to pursue the remedy of the rights and interests of citizens and to ensure the appropriate operation of public administration with simplified, prompt and fair procedures. Thus, when a request for re-examination is filed, we endeavor to listen intently to taxpayers' claims, conduct fair examinations and consideration, and process requests appropriately and expeditiously.

(2) Request for reconsideration

~ Remedy for taxpayer rights by a fair third-party institution ~

Request for Reconsideration is a system whereby when a taxpayer is dissatisfied with a disposition decision by the District Director of the Tax Office, the taxpayer can file an objection with the Director-General of the National Tax Tribunal. Missions of the National Tax Tribunal are as follows: pursue remedy of the legitimate rights and interests of taxpayers as an organization of a fair third party; and contribute to ensuring the proper operation of tax administration. Thus, for such request, it undertakes an examination, discusses it, and renders a verdict on it.

It is noteworthy that the Director-General of the National Tax Tribunal may make a decision without being bound to the legal interpretation indicated in the NTA Commissioner's notice, and the decisions will not be more disadvantageous to taxpayers than those made by the District Director of the Tax Office. The decision is a final ruling given within the NTA, against which the District Director of the Tax Office, etc. are not entitled to file litigation, because of dissatisfaction with this decision.

※ When a taxpayer is dissatisfied with the action taken by the NTA Commissioner, the taxpayer may file a request for reconsideration against the NTA Commissioner.

(3) Litigation

~ Remedy by law ~

Even after the decision by the Director-General of the National Tax Tribunal, taxpayers who remain dissatisfied are entitled to file litigation.

Response to complaints from taxpayers

The NTA receives from taxpayers such voices as complaints, dissatisfactions, or inquiries on problems they have regarding other operations of Tax Offices, Regional Taxation Bureaus, and the NTA or the tax matters in general, in addition to request for review of disposition decisions made by the NTA. Concerning such complaints, etc. received from taxpayers, the NTA strives to respond promptly and adequately from the viewpoint of each taxpayer as well as to ensure that taxpayers properly understand and rely on the tax administration.

The NTA appoints Taxpayer Support Officers to properly respond to taxpayer complaints on disposition decisions that might affect taxpayers' rights and interests, for example by explaining the procedures to remedy taxpayer rights.

(4) Trend in remedies for taxpayer rights

~ The NTA is striving to finish processing requests for re-examination within 3 months and requests for reconsideration within 1 year in principle. ~

a. Request for re-examination

- **Target** The NTA has set the standard length of deliberations for a request for re-examination to 3 months and is striving to finish processing requests for re-examination within 3 months in principle.
- **Result** Result in FY2022: 99.5% of requests for re-examination were closed within 3 months. 1,371 re-examinations were requested in FY2022 (1,226 on taxation and 145 on tax collection). Of these, 4.6% of taxpayer claims were approved in whole or in part.

b. Request for reconsideration

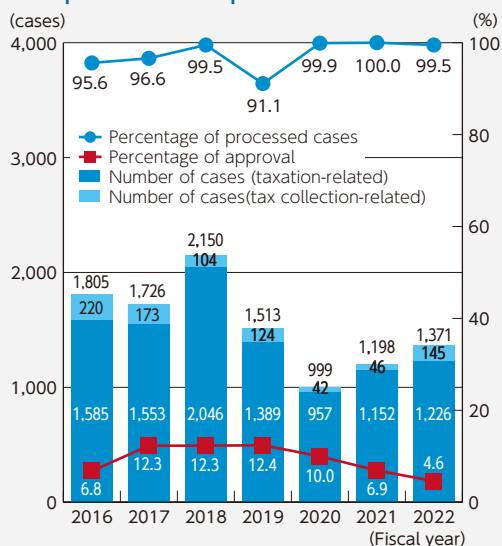
- **Target** The NTA and the National Tax Tribunal have set the standard length of deliberations for a request for reconsideration to 1 year and are striving to finish processing requests for reconsideration within 1 year in principle.
- **Result** Result in FY2022: 95.4% of requests for reconsideration were closed within 1 year. There were 3,159 requests for reconsideration in FY2022 (3,018 on taxation and 141 on tax collection). Of these, 7.1% of taxpayer claims were approved in whole or in part.

c. Litigation

For litigation, 186 cases were closed in FY2022 (157 on taxation, 25 on tax collection, and 4 on the National Tax Tribunal). Of these, 5.4% of taxpayer claims were approved in whole or in part.

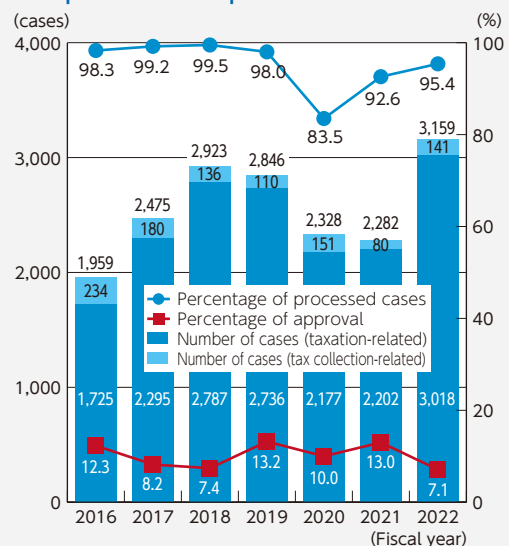
※ The NTA and the National Tax Tribunal provide information such as overviews of the requests for re-examination, the requests for reconsideration and litigation and cases of decisions on requests for reconsideration. These are on the NTA website and on the National Tax Tribunal website (<https://www.kfs.go.jp> [in Japanese]).

■ Percentage of processed requests for re-examination within 3 months, and number of processed requests for re-examination



- ※1 Percentage figures of processed cases were calculated excluding MAP(Mutual Agreement Procedure)cases, public prosecution-related cases and international taxation cases, as well as, in FY2020 and ensuing years, cases in which re-examination requests could not be processed within three months due to interruptions by natural disasters, etc. or taxpayers' conditions.
- ※2 Pursuant to the revision of related laws in June 2014, "objection" was renamed to "request for reconsideration" and it took effect in April 2016.
- ※3 Data on numbers include the number of "objections" as well.

■ Percentage of processed requests for reconsideration within 1 year, and number of processed requests for reconsideration



- ※ Percentage figures of processed requests in FY2017 onward were calculated by excluding the case suspension period for such cases as MAP cases and public prosecution-related cases. Also, for FY2021, calculation was done excluding not only the above period but also the period when examination and/or discussion were interrupted due to natural disasters, etc. or the conditions of those who requested for reconsideration.

~ Taking various measures for the development of liquor business ~

Liquor products are important for fiscal management in that liquor tax is imposed on them. Since stable tax revenues can be expected from liquor products, they play an important role in the fiscal policy of the Japanese government.

The NTA is making proactive efforts for the sound development of liquor business, not to mention for realizing the proper and fair taxation of liquor tax.

In order to revitalize the liquor industry and promote the exports, the measures for the domestic market and the measures for export promotion are used as the two pillars for the objectives. More specifically, we look to the improvement in domestic and overseas visibility as well as provide support for cultivating overseas sales channels. (Please also reference the “Sake no Shiori(the bookmark of liquor)” uploaded to the NTA website for the initiatives by the NTA.)



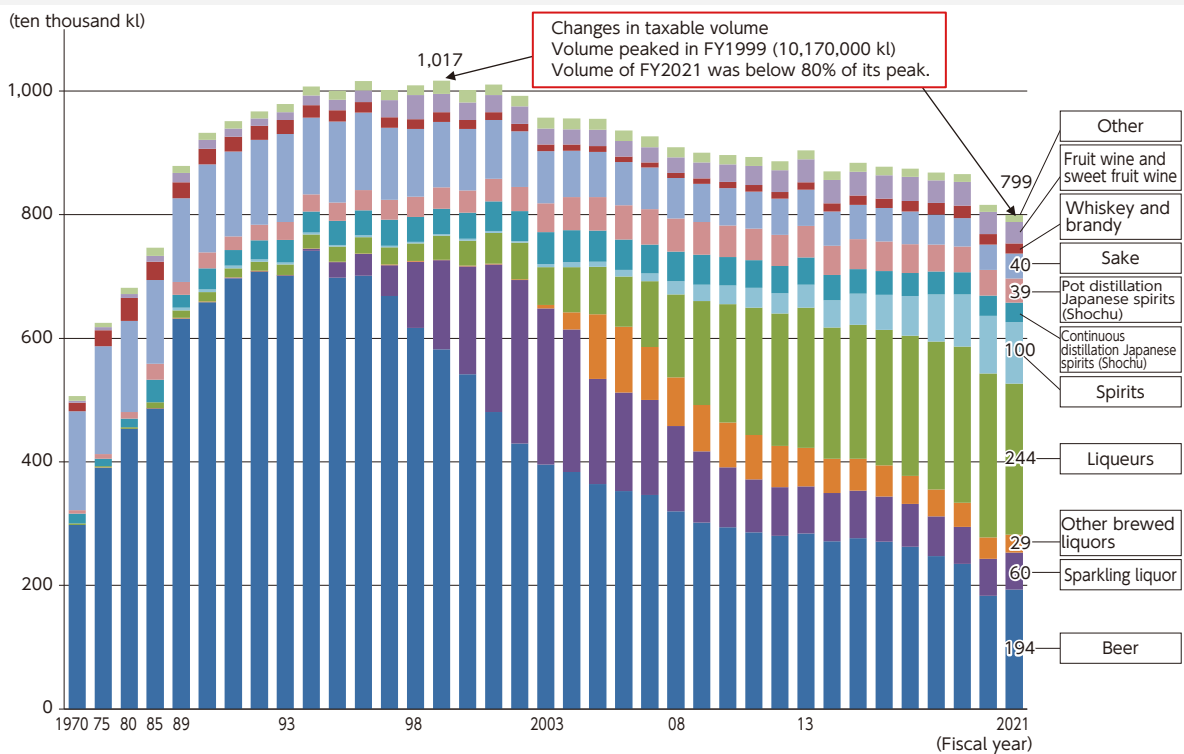
“Sake no Shiori”

1 Situation of Liquor Industry

(1) Situation of domestic market

The taxable volume of liquor has declined since it peaked in FY1999, due to decreasing birthrate, accelerated aging, and population decrease, etc. Beer, in particular, has declined considerably, because of the shift of consumption from beer to low-priced liquors such as sparkling liquor and chuhai.

Changes in taxable volume

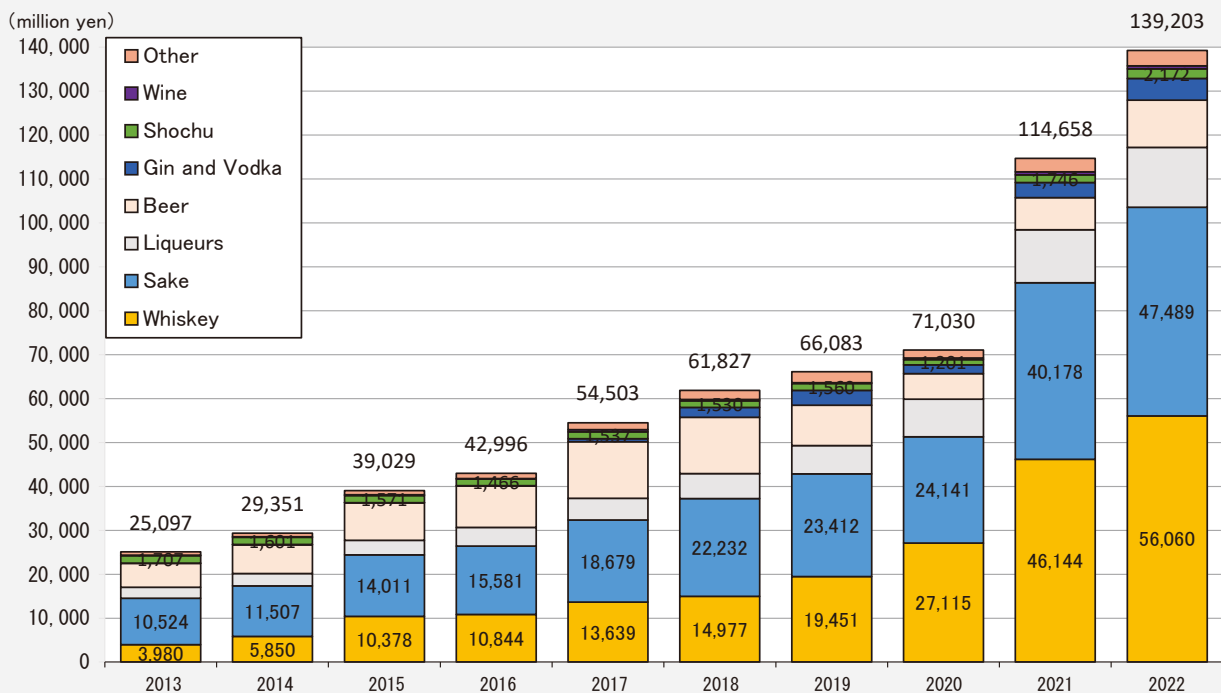


※ “Other” included “Spirits” in 1985 and before.
Source: National Tax Agency Annual Statistics Report

(2) Situation of the Japan-made liquor exports

In 2022, Japan-produced liquor exports amounted to about 139.2 billion yen (21.4% increase over prior year), showing a continued high performance following 2021 when 100 billion yen line had been exceeded for the first time in history.

■ Trend in the export amount of liquor which made in Japan



Source: "Foreign Trade Statistics" by the Ministry of Finance

2 Efforts of the NTA

～ Promotion of liquor business ～

Given the current status and challenges, the NTA is making efforts to help the domestic and overseas liquor markets expand and help them further grow and develop in a sound manner (Sake Report 3).

(1) Efforts for cultivating overseas markets (export promotion)

In the "Implementation strategy to expand exports for agricultural, forestry and fishery products and food" (<https://www.nta.go.jp/taxes/sake/yushutsu/01.htm#a01> [in Japanese]) (decided by the Headquarters for Revitalizing Agriculture, Forestry and Fisheries, and Regions in December 2020), sake, whisky, and authentic shochu/awamori were positioned as the three priority export items in the liquor category, where the target countries, targeted export volume, etc. were set for each item. We help them raise the visibility and expand the sales channels towards the achievement of the targets for such three priority items.

a. Support for cultivating sales channels

To further expand the exports of Japan-produced liquor products, we exhibited Japan-produced liquor products at a Japan pavilion in large-scale overseas trade EXPOs. Also, we held trade fairs with certain overseas buyers that had been cultivated through liquor export coordinators.

b. Enhancing visibility

We implemented promotion for Japan-produced liquor products at the Japan House and invited liquor specialists, sake breweries, media, influencers, and consumers to experience the different types of sake and deepen their understanding towards sake.

In addition, using the “Subsidies for the business budget supporting overseas deployment of Japan-produced liquor products (Subsidies for overseas deployment and sake brewery tourism),” we are supporting the initiatives by sake business operators, in terms of making tourist spots based on sake breweries and creating sake brewery tourism plans.

c. Support for creating higher values for and differentiation of products using subsidies

Using the “Subsidies for the business budget supporting overseas deployment of Japan-produced liquor products (Subsidies for overseas deployment and sake brewery tourism)” (reposted), we are supporting the initiatives by liquor business operators, in terms of creating higher values for Japan-produced liquor products.

In addition, using the “Subsidies for the business budget supporting new market cultivation (Frontier subsidies),” we are supporting the aggressive initiatives by liquor business operators to cultivate new markets whether domestic or overseas, for helping resolve their structural challenges (decline in domestic demand, etc.).

d. Expanding usage of Geographical Indications (GI)¹ to enhance brand value

We are engaged in designating and expanding usage of GI for it, from the perspective of enhancing brand value of liquor products within and outside Japan (For the latest designation status, see the “List of GIs for liquor products” on the NTA website). On that, we are producing pamphlets and coordinating for relevant events such as seminars.

e. Authorization of liquor product associations based on the Export Promotion Act

Based on the Export Promotion Act, in December 2022, we authorized the Japan Sake & Shochu Makers Association as a “liquor product association” for sake, authentic shochu and awamori.

f. International negotiations for abolishing tariffs and import restrictions

To further improve the export environment for Japanese liquor business operators, we are discussing the following through international negotiation: abolishment of tariffs and import restrictions; protection of GIs; and efforts toward the mutual equivalency recognition of organic alcohol beverages.

Also, regarding the import restrictions imposed by certain countries on Japan-produced goods following the nuclear power plant accident at TEPCO Fukushima Dai-ichi due to the Tohoku Mega Quake, we will keep requesting the relevant governments to abolish those restrictions.

(2) Efforts to inscription of Japanese sake, shochu, and awamori, etc. on the Representative List of the Intangible Cultural Heritage of Humanity of UNESCO.

We are making efforts for protection and inheritance of the traditional sake-making tech concerning Japanese sake, etc. as well as toward the inscription of the Representative List of the Intangible Cultural Heritage of Humanity of UNESCO, through collaboration with the Agency for Cultural Affairs, the “Preservation Society of Japanese Koji-based Sake making Craftsmanship,” etc.

In December 2021, this was registered in the name of “Traditional knowledge and skills of sake-making with koji mold in japan” with the Registered Intangible Cultural Property. After that, it was proposed to UNESCO in March 2022. (It was re-proposed in March 2023.)

¹ Under the Geographical Indication (GI) system, in the case that the characters of a liquor product or agricultural product unique to a specific production area (quality, recognition in society, etc.) have been established, only the products that are produced within the production area and fulfills certain production standards can exclusively use the name of its production area (the name of region as a brand).

(3) Technological assistance

a. Promotion of the spread of brewing technology, etc.

Each Regional Taxation Bureau has the Office of Analysis and Brewing Technology (including Chief Technical Officer of the Okinawa Regional Taxation Office) as its technological function to promote the spread of advanced technologies, etc., including research results of the National Research Institute of Brewing (NRIB)¹, through activities such as giving advice and consultation to liquor manufacturers, holding competitions, research workshops, etc. and dispatching officials to seminars, appraisals, etc., held by sake-making associations, etc.

b. Support in the quality and safety of liquor

With the aim of ensuring the safety of liquor in all stages from liquor production to consumption and enhancing the level of quality, we give technological assistance concerning improvement, etc. in the production process of liquor and confirm safety through actions including research and provision of information on the radioactive substances of liquor.

c. Efforts by the National Research Institute of Brewing (NRIB)

Serving as an entity to cover the technological base for the development of the liquor industry, the NRIB conducts studies for increasing the brand value of Japanese liquor products, strengthening the technological base of liquor production, etc. as well as actively pursues the measures to develop personnel for the liquor industry (lectures on liquor brewing, etc.) and outreach activities.

(4) Measures for small and medium enterprises (SMEs)

In order for the liquor industry, of which SMEs account for the majority, to adjust to change in the social and economic conditions properly, the NTA supports diverse efforts by the industrial associations, such as the modernization project by the Japan Sake & Shochu Makers Association.

Moreover, in coordination with related government offices and organizations, local governments and others, the NTA provides business operators and industrial associations with information on governmental measures for SMEs (consultation desks, subsidies, the tax system, financing, etc.) to promote the use of these measures.

(5) Establishment of a fair trading environment of liquor

The NTA is striving to ensure fair trading through using “The Standards for the Fair Trading of Liquor²” (<https://www.nta.go.jp/taxes/sake/koseitorihiki/mokuji.htm> [in Japanese]) for dissemination to and enlightenment for liquor companies as well as through conducting surveys on the actual situation of liquor trading. The standards were revised in March 2022 (took effect in June 2022), referencing the results of a survey conducted after the enforcement of the standards in June 2017.

(6) Response to social demands

a. Promotion of resource recycling

The beer industry promotes the “Action Plan for Achieving a Low-carbon Society” which was formulated based on the “Plan for Global Warming Countermeasures”(determined by the Cabinet in October 2021). The Liquor Subcommittee under the National Tax Council conducts evaluation and verification of such endeavors.

¹ The NRIB’s missions during the “the fifth term of the medium-term objective period” from FY2021 to FY2025 is (1) to strive to develop the liquor industry, (2) to strive for the appropriate application of liquor tax laws, and (3) to make efforts as the national center for liquor, and they conduct various duties based on these missions.

² These standards need to be complied with by all liquor companies (production, wholesale, and retail) to ensure fair transactions for liquor products. They require the following: ① it is not allowed to sell liquor products at a price lower than the total costs of sale on a continuous basis without a justifiable reason; and ② it is not allowed to execute a deal that might be significantly detrimental to the own liquor business or to the liquor business of other liquor companies.

b. Measures to prevent those under the age of 20 from consuming alcohol

With the purpose to prevent consuming alcohol under the age of 20, in addition to preparation of educational posters and pamphlets, the NTA designates April of each year as the “Month to emphasize prevention from consuming alcohol under the age of 20,” and carries out enlightenment activities in coordination with relevant ministries and agencies, and industry associations.

c. Measures against Health Problems Caused by Alcohol

Considering “The Basic Act on Measures against Health Problems Caused by Alcohol”(the second plan, from April 2021 to March 2026) formulated based on “The Basic Law on Measures to Prevent Damage to Health due to Alcohol” enforced in June 2014, etc., the NTA implements initiatives for preventing from consuming alcohol under the age of 20 and health problems due to alcohol in cooperation and coordination with relevant ministries and agencies as well as associations in the liquor industry.

~ Missions of Certified Public Tax Accountants (CPTAs) ~

Certified Public Tax Accountants (CPTAs) and CPTAs Corporations (hereinafter referred to as “CPTAs etc.”) are professional specialists on taxes. Their public mission is to respond to the trust of a taxpayer in line with the principles of the self-assessment system, and to achieve proper tax compliance as provided for in the tax laws and regulations, based on their independent and fair standpoint.

As of the end of March 2023, 80,692 persons were registered as CPTAs, and there were 4,844 CPTAs Corporations.

1 Services and roles of CPTAs

~ Support taxpayers and boost self-assessment system ~

CPTA services are tax proxy, preparation of tax documents, and tax consultation service. These operations must not be performed by persons other than CPTAs¹, even at no charge. At the same time, CPTAs are required to fulfill various obligations and responsibilities. For example, they are prohibited from providing tax evasion consultation and engaging in conduct which harms the credibility or dignity of CPTAs.

If using services of CPTAs, taxpayers can properly file returns and pay taxes. In addition, because corporations and sole proprietors often ask CPTAs to process accounting books or to compile financial statement, they also play important roles in promoting tax return filings and correct bookkeeping that constitutes the basis for the filing.

2 Coordination and cooperation with CPTAs' Associations, etc.

~ Conduct consultations and exchange opinions about a wide range of issues ~

To achieve the proper and smooth administration of the self-assessment system, CPTAs undertaking the public mission play extremely important roles. Therefore, we are endeavoring to coordinate and cooperate with the Certified Public Tax Accountants' Associations and Japan Federation of Certified Public Tax Accountants' Associations (hereinafter referred to as “CPTAs' Associations, etc.”) for example, by conducting consultations and exchanging opinions with CPTAs' Associations etc. about a wide range of issues.

Specific activities include (1) and (2) below.

(1) Promotion of the document attached by CPTAs

~ Further promoting and establishing the attached document regarding the calculation and consultation ~

With the document attachment system as provided for in the Certified Public Tax Accountant Act (<https://www.nta.go.jp/taxes/zeirishi/zeirishiseido/kentoukai/02.htm> [in Japanese], hereinafter referred to as “CPTA Act”) CPTAs may attach certain documents on the items calculated in preparing a tax return and the documents on the consultation subjects covered by the CPTAs (hereinafter the “attached documents.”)

This system requires that if a Tax Office intends to conduct a tax examination for a taxpayer having filed a tax return with the attached documents by notifying the taxpayer of the date, time and place of the examination in advance, the CPTAs of the taxpayer must be given an opportunity to state an opinion on the items described in the attached documents, before the taxpayer is notified.

Regarding the attached documents, the NTA is actively consulting with CPTAs' Associations, etc. with an aim to enhance the content of attached documents and raise the share of the returns with such attachments. Respecting this system, the NTA is striving to disseminate it and have it used by more taxpayers.

¹ In compliance with Article 51 of the Certified Public Tax Accountant Act, CPTA services can also be performed by lawyers and legal professional corporations that have notified their practice of CPTA services to the Regional Commissioner with jurisdiction over the district where CPTA services are to be provided, as well as CPTAs and CPTAs Corporations.

(2) Promotion of e-Tax usage

~ Collaboration and cooperation towards the realization of electronic filing ~

Concerning promotion of use of e-Tax, the roles played by CPTAs are significant, so the NTA is regularly exchanging opinions with the Japan Federation of Certified Tax Accountants' Associations and requesting it for cooperation to raise the use rate of e-Tax. As such, the NTA is eager to keep the collaboration and cooperation with CPTAs associations, etc., towards the realization of digitalized procedures for tax return filing.

3 Appropriate guidance for and supervision of CPTAs

~ Prevent violation of the CPTA Act and take strict action against those who violated ~

For ensuring the proper operation by CPTAs, the NTA utilizes every opportunity to alert people and prevent violation of the CPTA Act by CPTAs. Also, the NTA conducts appropriate examinations regarding the breach cases of the CPTA Act. We take strict disciplinary action against the CPTAs who violated the Act and publicly announce the names of such CPTAs. In addition, for the so-called "fake CPTAs" who conducts CPTA services without a license, we strictly deal with them including accusation to the prosecutor.

The NTA discloses the names of disciplined CPTAs in the official gazette and via the NTA website.

■ Number of disciplinary actions

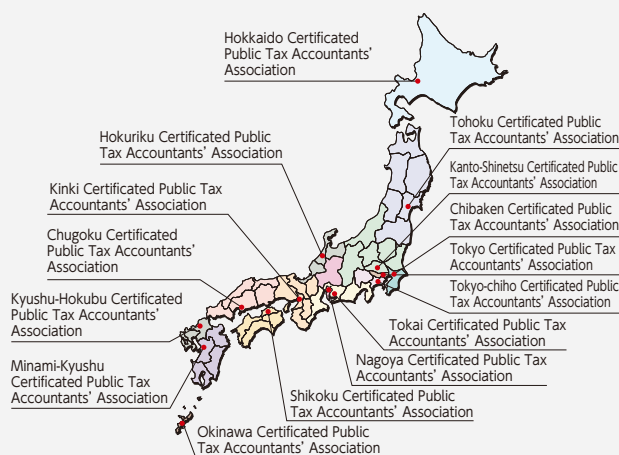
fiscal year	2018	2019	2020	2021	2022
cases	51	43	22	21	13

(cases)

CPTAs' Associations and Japan Federation of CPTAs' Associations

In order to improve the work of CPTAs, CPTAs' Associations are designated in the CPTA Act as organizations which provide guidance, liaison and supervision to CPTAs. There are now 15 CPTAs' Associations throughout Japan. CPTAs' Associations engage in a wide range of activities, including ① training to enhance the qualities of CPTAs, ② dispatch of lecturers for tax workshops in elementary, junior and senior high schools, universities, etc. to fulfill the tax education and ③ free tax consultation for small taxpayers.

The Japan Federation of Certified Public Tax Accountants' Associations (<https://www.nichizeiren.or.jp/eng/>) is the only organization in Japan as certified by the CPTA Act. The Federation provides guidance for, communicates with, and supervises CPTAs' Associations and CPTAs. It also handles the operation to register members, and conducts institutional surveys on CPTAs.



(1) The purpose of Results Evaluation

The purpose of the “Results Evaluation for the Targets to Be Achieved by the NTA” is to:

- ① clarify the NTA’s missions and objectives to be achieved and fulfill accountability to citizens and taxpayers,
- ② continue promoting more efficient, high-quality tax administration that meets the needs of the times and
- ③ improve operations, enhance the motivation of staff, and revitalize the organization.

Regarding the results evaluation for the NTA, “Results Evaluation Implementation Plan” (http://www.mof.go.jp/about_mof/policy_evaluation/nta/index.html [in Japanese]) (hereinafter the “Implementation Plan”) and “Results Evaluation Report” (http://www.mof.go.jp/about_mof/policy_evaluation/nta/index.html [in Japanese]) are created and publicly released every year.

(2) The NTA’s missions and assignment and the structure of results evaluation targets

In order to accomplish the NTA’s missions “Help taxpayers properly and smoothly fulfill their tax duties,” the NTA’s three duties provided in Article 19 of the Act for Establishment of the Ministry of Finance were set as the targets to be achieved (Results Target (higher level) 1 through 3).

In the Implementation Plan for operation year 2021, five Sub-results Targets (lower level) and seven Performance Targets (hereinafter “Results Targets, etc.”) were set for the Results Target (higher level) 1.

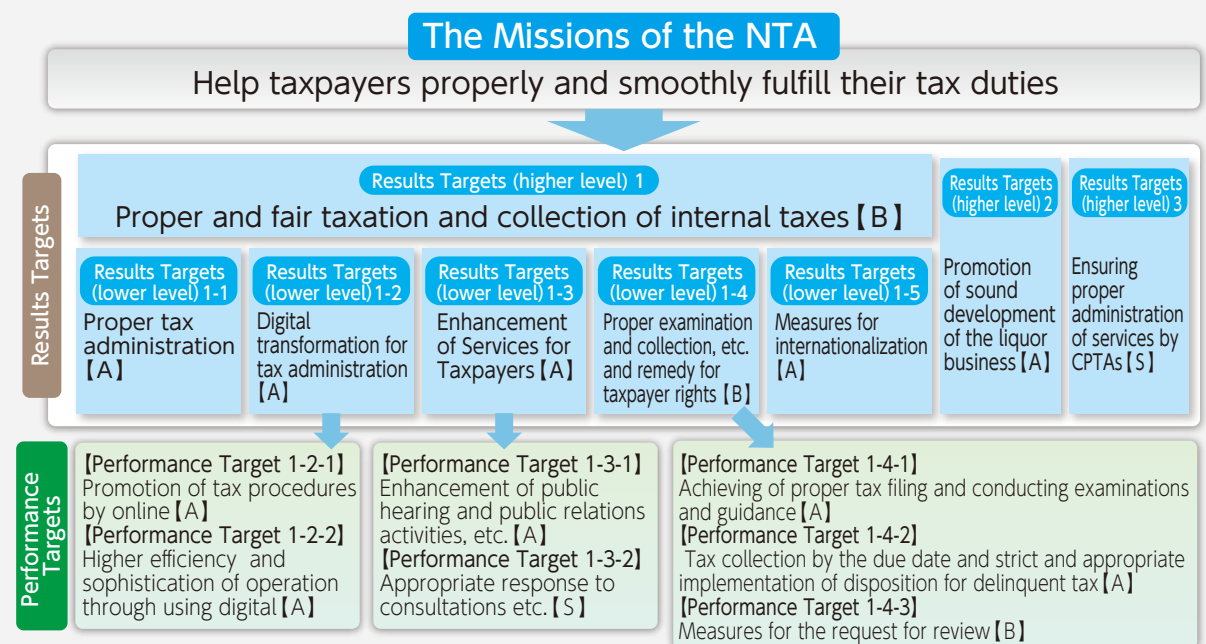
(3) Evaluation method for Results Targets, etc. and evaluation results

Regarding the Results Targets etc., means for achieving them are set as the “Measures.” Each Measure for operation year 2021 is set by combining some quantitative measurement indicators (42) and some qualitative measurement indicators (38), to evaluate the implementation status depending on its content. Then, each “Measure” is evaluated based on the level of achievement for each indicator. Evaluation of the Results Targets etc. is done based on the integrated evaluation of the “Measures” for the Result Targets etc.

The evaluation results for operation year 2021 are shown by the score codes for respective Targets in [] of the diagram below. Such evaluation results should be accurately reflected in the following operations, to ensure efficient and high-quality tax administration through PDCA cycle.

※ The above figures in parentheses for the measurement indicators represent the data for operation year 2021

■ System diagram of “the NTA’s missions” and “Results Targets, etc.” (for operation year 2021)



※ The NTA evaluates by indices of the following 5 stages about the achievement of each target.

[S+] Target achieved in excess [S] Target achieved [A] Considerable progress [B] Slow progress [C] Not aiming at target

Ministry of Finance Round-table Conference for Policy Evaluation

In order to secure objectivity for the evaluation of results and improve the quality of evaluation, the “Ministry of Finance Round-table Conference for Policy Evaluation,” (https://www.mof.go.jp/about_mof/councils/policy_evaluation/proceedings/index.html [in Japanese]) which consists of external experts, is held to obtain their opinions at the phase of implementation planning and evaluation.

Regarding the evaluation of results for operation year 2021, we obtained following opinions.

- “I feel it is generally difficult to run a PDCA cycle. However, the NTA has kept using PDCA for a long time, in incorporating certain elements for the future in the evaluation, etc. I appreciate it as the initiative of a quite excellent organization.”
- “User viewpoints are very important in digital transformation. If higher evaluation is obtained from user viewpoints, it could lead to higher efficiency in operation and effective operation. The same does apply if digitalization of the operation is promoted after the NTA reviewed its operation thoroughly. Therefore, we would appreciate further endeavors.”
- “Digitalization has advanced better than expected during the three years of the COVID-19 pandemic. That’s why the prerequisites for workstyle have changed to some extent. Going forward, the NTA is requested to think about which indicators are really needed and appropriate with an eye on the future, instead of merely returning to pre-corona.”

Tax revenues and budget

[Budget and final accounts of taxes and stamp revenues for fiscal year 2021]

Tax category	Budget after correction	Actual (Percentage of total)
	Million yen	Million yen
Withholding income tax	16,739,000	17,533,195 (24.4)
Self-assessment income tax	3,288,000	3,849,004 (5.4)
Corporation tax	12,887,000	13,642,830 (19.0)
Inheritance tax	2,555,000	2,770,245 (3.9)
Consumption tax	21,108,000	21,888,613 (30.5)
Liquor tax	1,176,000	1,132,125 (1.6)
Tobacco tax	912,000	905,666 (1.3)
Gasoline tax	2,128,000	2,076,178 (2.9)
Liquefied petroleum gas tax	4,000	4,817 (0.0)
Aviation fuel tax	37,000	30,348 (0.0)
Petroleum and coal tax	606,000	635,549 (0.9)
Power resources development promotion tax	305,000	316,193 (0.4)
Motor vehicle tonnage tax	382,000	387,600 (0.5)
International tourist tax	4,000	1,878 (0.0)
Customs duty	846,000	893,416 (1.2)
Tonnage tax	9,000	9,368 (0.0)
Other*	—	13 (0.0)
Stamp revenue	894,000	960,848 (1.3)
Subtotal	63,880,000	67,037,885 (93.3)
Local corporation tax	1,703,700	1,881,394 (2.6)
Local gasoline tax	227,700	222,142 (0.3)
Liquefied petroleum gas tax (transferred)	4,000	4,817 (0.0)
Aviation fuel tax (transferred)	19,100	14,663 (0.0)
Motor vehicle tonnage tax (transferred)	278,900	282,988 (0.4)
Special tonnage tax	11,300	11,710 (0.0)
Special business tax	1,834,000	1,831,646 (2.5)
Special tobacco tax	113,200	111,979 (0.2)
Special income tax for reconstruction	420,600	446,667 (0.6)
Other	—	35,219 (0.0)
Total	68,492,500	71,881,112

* "Other" the amount collection of delinquent taxes, collected as the commodity tax, land value tax, etc

[NTA initial budget for fiscal year 2023]

Items	Budget
	Million yen
Expenses to improve convenience for taxpayers*1	2,913
Expenses related to internationalization measures	1,135
General operating expenses*2	59,883
Expenses to improve work environment and ensure safety*3	7,629
Expenses related to tax reforms	2,109
Expenses for National Tax College	1,786
Expenses for National Tax Tribunal	161
Expenses for National Research Institute of Brewing	969
Expenses for the development of the liquor industry	2,080
Subtotal	78,665
Salary costs	562,987
Total NTA budget	641,652

*1 "Expenses to improve convenience for taxpayers" includes expenses related to operating expense for the Phone Consultation Center.

*2 "General operating expenses" include expenses for tax forms and correspondence, wage expenses for part-timers, travel expenses, honoraria for hired bookkeeping instructors and PR expenses.

*3 "Expenses to improve work environment and ensure safety" includes expense to improve facilities and health care.

*4 In addition to the NTA budget shown above, 81.5 billion yen is collectively recorded to the Digital Agency's budget as the expense for the government's information system.

Tax returns and taxation

[Income tax]

(Calendar year 2022)

		Thousand people
Total population		124,500
Number of persons engaged		67,230
Number of final returns filed		22,950
Refunds		13,330
Tax payments		6,530
Breakdown by income earners	Business income earners	1,640
	Other income earners	4,900
	Real estate income earners	1,060
	Employment income earners	2,680
	Miscellaneous income earners	810
Other		350

[Inheritance tax]

(Calendar year 2021)

Number of deceased	1,439,856 people
Number of deceased subject to taxation	134,275 people
Number of taxpayers (number of heirs)	341,002 people
Taxable amount	18,603.9 Billion yen
Amount of tax	2,444.0 Billion yen

[Gift tax]

(Calendar year 2021)

Number of people subject to taxation	443,429 people
Value of properties acquired	2,372.7 Billion yen
Amount of tax	255.4 Billion yen

* Figures include the taxation system for settlement at the time of inheritance.

[Withholding agents and withholding income tax]

(Operation year 2021)

Category of income etc.	Number of withholding agents	Amount of tax
	Thousand	Billion yen
Employment income (wages and salaries)	3,560	11,885.0
Retirement income	-	276.0
Interest income, etc.	33	276.6
Dividend income	148	5,505.2
Capital gains on listed shares etc. kept in special account	11	815.0
Income from remuneration, etc.	2,861	1,176.7
Income paid to non-residents and foreign corporations, etc.	33	757.4
Total	-	20,691.9

* The number of withholding agents are figures as of the end of June 2022.

* The amount of tax imposed on the income obtained on and after January 1, 2013 includes special income tax for reconstruction.

[Number of corporations and corporation tax]

(Operation year 2021)

Number of corporations	3,283 Thousand corporations
Number of tax returns filed	3,065 Thousands
Percentage of corporations filing	91.9%
Percentage of returns declaring a surplus	35.7%
Amount of self-assessment income	79,479.0 Billion yen
Amount of self-assessment loss	16,842.7 Billion yen
Amount of tax	13,923.2 Billion yen

* The number of corporations is the figure as of the end of June 2022.

[Consumption tax]

(Fiscal year 2021)

Category	Payment	Refund
Number of tax returns	Individuals 1,064 Thousands	85 Thousands
	Corporations 1,858 Thousands	199 Thousands
	Total 2,922 Thousands	284 Thousands
Amount of tax	19,789.5 Billion yen	5,912.8 Billion yen

[Liquor tax and liquor production]

(Fiscal year 2021)

Type	Volume of production	Amount of tax
	Thousand kl	Million yen
Sake	312	41,854
Sake compounds	19	1,880
Continuous distillation Japanese spirits (Shochu)	299	67,255
Pot distillation Japanese spirits (Shochu)	374	93,271
Mirin (rice cooking wine)	89	1,875
Beer	1,931	378,485
Fruit wine	93	9,778
Sweet fruit wine	5	549
Whisky	127	45,758
Brandy	3	1,282
Sparkling liquor	402	79,907
Alcohol for material & Spirits	999	81,213
Liqueurs	2,369	237,628
Other brewed liquors, powder liquor & miscellaneous liquor	282	31,380
Total	7,304	1,072,114

Tax examinations**[Field examination of self-assessment income tax]**

(Operation year 2021)

Number of cases	Number of undeclared cases	Amount of undeclared income		Additional tax revenue collected	
		Per case	Per case	Per case	Per case
Thousands	Thousands	Billion yen	Thousand yen	Billion yen	Thousand yen
31	27	419.8	13,370	80.4	2,560

[Field examination of withholding income tax]

(Operation year 2021)

Number of cases	Number of illegal cases	Additional tax revenue collected
Thousands yen	Thousands	Billion yen
48	15	22.8

* The amount of additional tax revenue collected in connection with the income obtained on and after January 1, 2013 includes special income tax for reconstruction.

[Field examination of corporation tax]

(Operation year 2021)

Category	Number of Cases	Number of undeclared cases	Amount of undeclared income		Additional tax revenue collected
			Per case	Per case	
	Thousands	Thousands	Billion yen	Thousand yen	Billion yen
All corporations	41	31	602.8	14,790	143.8
Corporations handled by the Large Enterprise Department	1	1	226.8	205,080	50.9

[Field examination of consumption tax]

(Operation year 2021)

Category	Number of Cases	Number of undeclared cases	Additional tax revenue collected	
			Per case	Per case
	Thousands	Thousands	Billion yen	Thousand yen
Individuals	17	14	24.1	1,430
Corporations	40	24	86.9	2,170

[Field examination of inheritance tax]

(Operation year 2021)

Number of cases	Number of undeclared cases	Amount of undeclared inheritance		Additional tax revenue collected	
		Per case	Per case	Per case	Per case
Thousands	Thousands	Billion yen	Thousand yen	Billion yen	Thousand yen
6	6	223.0	35,300	56.0	8,860

[Collected number of statutory information]

(Operation year 2021)

Statutory information	Number collected
	Thousands
Withholding record of employment income	25,914
Payment record of interest	10,217
Payment record of dividends	58,470
Other	371,455
Total	466,057

International taxation

[Field examination of corporations conducting overseas transactions, etc.]

(Operation year 2021)

Number of examinations of corporations conducting overseas transactions	6,676 Cases
Number of undeclared cases related to overseas transactions	1,752 Cases
Cases of overseas fraudulent calculations	219 Cases
Amount of undeclared income related to overseas transactions	161.1 Billion yen
Amount of overseas fraudulently omitted income	10.8 Billion yen

[Field examination of transfer pricing taxation]

(Operation year 2021)

Number of undeclared cases	154 Cases
Amount of undeclared income	33.3 Billion yen

[Cases requested and processed for advance pricing arrangement related to transfer pricing]

(Operation year 2021)

Number of cases requested	175 Cases
Number of cases processed	99 Cases

Delinquency

[Tax delinquency cases by major tax categories]

(Fiscal year 2021)

	Under collection process at the end of the previous year	Newly occurred	Collected	Under collection process at the end of the year
	Billion yen	Billion yen	Billion yen	Billion yen
Income tax	334.2	211.3	192.5	352.9
Withholding income tax	105.4	39.3	31.0	113.7
Self-assessment income tax	228.8	171.9	161.5	239.2
Corporation tax	108.1	99.5	89.5	118.0
Inheritance tax	56.1	32.5	37.0	51.7
Consumption tax	superscript 86.4 324.5	superscript 112.4 399.7	superscript 103.1 369.2	superscript 95.7 355.1
Other taxes	5.7	9.7	7.3	8.0
Total	superscript 86.4 828.6	superscript 112.4 752.7	superscript 103.1 695.6	superscript 95.7 885.7

*Local consumption tax is not included in the figures above because they indicate national tax delinquency.

However, according to Article 9 (4) of the supplementary provisions of the Local Tax Act, the national government must assess and collect local consumption tax with national consumption tax for the time being. That is why the delinquent amounts of local consumption tax are indicated by the superscript amounts in the rows "Consumption tax" and "Total" fields.

Criminal investigation

[Criminal investigations]

(Fiscal year 2022)

Number of cases conducted	Number of cases closed	Number of cases with accusation filed to the prosecutor	Amount of tax evasion		Amount of tax evasion (accusation filed to the prosecutor)	
			Per case	Per case	Per case	Per case
Cases	Cases	Cases	Billion yen	Million yen	Billion yen	Million yen
145	139	103	12.8	92	10.0	97

[Accusations filed to the prosecutor, by tax category]

(Fiscal year 2022)

Tax category	Number of cases	Amount of tax evasion	
		Per case	Per case
Income tax	Cases 19	Million yen 2,424	Million yen 128
Corporation tax	47	4,275	91
Inheritance tax	2	288	144
Consumption tax	34	3,010	89
Withholding income tax	1	22	22
Total	103	10,019	97

Remedy for taxpayer rights

【Request for re-examination】

(Fiscal year 2021)

Category	Number of requests for re-examination	Number of new requests for re-examination	Number of cases processed ①	Number of requests approved ②			Percentage ②/①
				Full	Partial	Percentage	
Taxation-related	Cases 1,398	Cases 1,065	Cases 1,152	Cases 82	Cases 2	Cases 80	% 7.1
Collection-related	59	54	46	1	1	—	2.2
Total	1,457	1,119	1,198	83	3	80	6.9

*1 In June 2014, the relevant laws relating to this review system were revised, including the change of the Japanese name of a request for re-examination from "Igi Moshitate" to "Saichosa no Seikyū." This revision came into force in April 2016.

*2 Figures include the cases of "Igi Moshitate."

【Request for reconsideration】

(Fiscal year 2021)

Category	Number of requests for reconsideration	Number of new requests for reconsideration	Number of cases processed ①	Number of requests approved ②			Percentage ②/①
				Full	Partial	Percentage	
Taxation-related	Cases 4,582	Cases 2,390	Cases 2,202	Cases 296	Cases 160	Cases 136	% 13.4
Collection-related	121	92	80	1	—	1	1.3
Total	4,703	2,482	2,282	297	160	137	13.0

【Litigation】

(Fiscal year 2021)

Category	Number of litigations	Number of cases filed for first instance	Number of cases closed ①	Number of lost cases ②			Percentage ②/①
				Full	Partial	Percentage	
Taxation-related	Cases 325	Cases 74	Cases 164	Cases 12	Cases 6	Cases 6	% 7.3
Collection-related	55	19	33	1	1	—	3.0
National Tax Tribunal-related	4	3	2	—	—	—	—
Total	384	96	199	13	7	6	6.5

* The figures for cases for litigation are the total numbers for each level of trial.

Tax consultations

【The five items of most frequently consulted】

(Phone Consultation Centers)

(Fiscal year 2022)

Rank	Tax category	Items	cases
1	Income tax	Obligations & procedures to file tax returns, etc.	Thousand 601
2	Income tax	Year-end adjustment	223
3	Income tax	Special credit for loans relating to a dwelling	219
4	Income tax	Medical expenses deduction	207
5	Income tax	Guidance for consultation, location of Tax Office	183

[Tax Answer System]

(Fiscal year 2022)

Rank	Tax category	Items	cases
1	Income tax	Tax rate of income tax	Thousand 3,308
2	Stamp duty	Table of Stamp Taxes(1) Type 1 Document to Type 4 Document	2,622
3	Income tax	Deduction for employment income	1,807
4	Income tax	When having paid medical expenses (medical expenses deduction)	1,748
5	Income tax	Exemption for dependents	1,310

【Number of consultations at Phone Consultation Centers, by tax category】

(Fiscal year 2022)

Tax category	cases
Income tax	Thousand 2,424
Corporation tax	199
Property tax	925
Consumption tax, etc.	340
Other	997



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